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")**

TENTH REPORT OF THE MONITOR DATED SEPTEMBER 2, 2020

INTRODUCTION

1. On December 2, 2019 (the "**Filing Date**"), 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 (the "**CCAA**"). The Applicants commenced these proceedings (the "**CCAA Proceedings**") to allow them an opportunity to restructure their business and affairs.

2. The Initial Order, among other things, granted a stay of proceedings against the Applicants for an initial 10-day period (the "**Stay Period**"), appointed Ernst & Young Inc. as monitor of the Applicants (in such capacity, the "**Monitor**"), granted certain Court-ordered charges and approved the interim financing facility (the "**Hillmount DIP Facility**") to be provided by Hillmount Capital Inc. ("**Hillmount**") on the terms and subject to the conditions set forth in the term sheet between the Applicants and Hillmount dated as of November 29, 2019 (the "**Hillmount DIP Facility Term Sheet**").

3. On December 12, 2019, the Court granted an order (the "**Amended and Restated Initial Order**") extending the Stay Period until March 12, 2020 and amending the Initial Order to, among other things, authorize the Applicants to enter into a credit facility with SF V Bridge III, LP ("**Stabilis**"), as a replacement for the Hillmount DIP Facility, to provide interim financing to the Applicants during the CCAA Proceedings in the maximum principal amount of $7.5 million (the "**DIP Facility**"), on the terms and subject to the conditions set forth in the commitment letter between the Applicants and the DIP Lender dated as of December 10, 2019 (the "**Stabilis DIP Facility Commitment Letter**").

4. 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 four properties that were not being used in the Applicants' operations, with the assistance of the Monitor. The Non-Core Real Estate (as defined in the Non-Core Real Estate Order) included 1095 Wilton Grove Road, London, Ontario (the "**London Property**").

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

   a) an order approving the definitive DIP loan agreement between the Applicants and Stabilis dated as of December 20, 2019 (the "**DIP Facility Loan Agreement**"); and

   b) an order approving the Applicants' sale and investment solicitation process (the "**SISP**").

6. On February 4, 2020, the Court granted an order approving the claims process (the "**Claims Process**") proposed by the Applicants (the "**Claims Procedure Order**").

7. On March 9, 2020, the Court granted, among other things:

   a) an approval and vesting order with respect to the sale of the London Property; and

   b) a distribution order (the "**Distribution Order**") authorizing and directing the Applicants to make certain distributions of the proceeds from the sale of the London Property to Stabilis on account of the DIP Facility and the pre-filing loans to certain of the Applicants that were secured against the London Property; and

c) an order extending the Stay Period to June 30, 2020.

8. On June 26, 2020, the Court granted, among other things, an order (i) extending the Stay Period to September 11, 2020, and (ii) terminating the SISP.

9. On August 4, 2020, the Court granted an order (the "**Meeting Order**"), among other things: accepting the filing of the Applicants' proposed Plan of Compromise and Arrangement (as amended, the "**Plan**") authorizing the Applicants to establish a single class of Affected Creditors (as defined in the Meeting Order) for the purposes of considering and voting on the Plan; authorizing the Applicants to call, hold, and conduct a virtual meeting of the Affected Creditors to consider and vote on a resolution to approve the Plan (the "**Meeting**"); approving the procedures to be followed in connection with the Meeting; and setting the date for the hearing of the Applicants' motion seeking this Court's approval of the Plan (the "**Sanction Hearing**") in the event that the Plan was approved by the required majority of Affected Creditors at the Meeting.

10. As set out in further detail in the Ninth Report of the Monitor dated August 31, 2020, the Plan was approved by a majority in number (94.8%) of Affected Creditors representing at least two-thirds of the value (87.9%) of the aggregate amount of all Proven Claims (as defined in the Plan) present and voting, either in person or by proxy, at the Meeting.

11. The Sanction Hearing is currently scheduled to proceed on September 11, 2020.

PURPOSE

12. The purpose of this Tenth Report of the Monitor (the "**Tenth Report**") is to provide information to the Court on:

a) the disputed claim (the "**Philipp Claim**") of Kathleen Glynn Philipp ("**Philipp**") against certain of the Applicants; and

b) the Monitor's recommendation in respect of the Applicants' motion (the "**Motion**") seeking a determination on the value and status of the Philipp Claim.

TERMS OF REFERENCE

13. In preparing this Tenth 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 Tenth Report:

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

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

15. All court documents and other materials related to the CCAA Proceedings have been posted on the Monitor’s website at www.ey.com/ca/agmedica (the “**Monitor’s Website**”).

PHILIPP LOAN

16. On October 23, 2019, AgMedica Bioscience Inc. (“**AgMedica**”) entered into a loan agreement (the “**Philipp Loan Agreement**”) with Philipp, whereby Philipp agreed to loan the maximum principal amount of US$3,816,000 (the “**Loan**”) to AgMedica. The Loan was guaranteed by 2472602 Ontario Inc. (“**2472602**”), a wholly-owned subsidiary of AgMedica and an Applicant in these proceedings, pursuant to a limited recourse guarantee dated October 23, 2019.

17. The Loan was secured by:

a) a general security agreement from AgMedica dated October 23, 2019 (the "**AgMedica GSA**") granting a first-priority security interest in all present and after-acquired personal property of AgMedica; and

b) a second collateral mortgage (the "**Mortgage**") against the London Property owned by 2472602.

18. The Loan and the associated security is detailed further in the affidavit of Trevor Henry sworn August 31, 2020 (the "**Henry Affidavit**"). Any capitalized terms used and not defined herein shall have the meanings given to them in the Henry Affidavit.

19. The amount owing to Philipp under the Loan as of the Filing Date was:

Category	Amount (CAD)[1]
Principal	$5,074,135
Interest[2] (Oct. 23-Dec. 1, 2019)	$130,120
Total	**$5,204,255**

DIP FACILITIES

20. As set out further in the Pre-Filing Report of the Monitor dated December 2, 2019 (the "**Pre-Filing Report**"), the Applicants entered into the Hillmount DIP Facility Term Sheet in order to provide the liquidity required to fund the operations of the Applicants during the CCAA Proceedings. A copy of the Pre-Filing Report, with only certain relevant appendices included, is attached hereto as **Appendix "A"**.

[1] The Philipp Loan Agreement is denominated in USD. The USD amounts have been converted to CAD using the Bank of Canada's average daily exchange rate for December 2, 2019 of $1.00 USD = $1.3297 CAD and rounded to the nearest dollar.

[2] Interest on the principal amount accrued at a rate of 24 percent per annum during this period.

21. The Hillmount DIP Facility had a maximum principal amount of $7.5 million. The Initial Order authorized the Applicants to borrow up to $1 million under the Hillmount DIP Facility during the initial 10-day Stay Period. The Hillmount DIP Facility was secured by a super-priority charge (the "**DIP Lender's Charge**") on the Property (as defined in the Initial Order) of the Applicants, to the maximum principal amount of $1 million, including certain specified real property that was identified in Schedule "A" of the Initial Order (and included the London Property).

22. The Hillmount DIP Facility Term Sheet provided that Hillmount agreed to allow the net sale proceeds from the sale of the London Property to be held in trust with the Monitor until such time as the Hillmount DIP Facility had been paid in full.

23. As set out further in the First Report of the Monitor dated December 11, 2019 (the "**First Report**"), after the Court granted the Initial Order, the Applicants' largest secured lender, Stabilis, requested the opportunity to submit its own DIP financing term sheet for the Applicants' consideration. A copy of the First Report, with only certain relevant appendices included, is attached hereto as **Appendix "B"**.

24. On or around December 9, 2019, Stabilis presented the Stabilis DIP Facility Commitment Letter to provide the DIP Facility to the Applicants. As set out in the First Report, the material terms of the Stabilis DIP Facility Commitment Letter were substantially similar to the existing Hillmount DIP Facility Term Sheet, with the following exceptions, among others:

a) the Commitment Fee under the DIP Facility was 2.00%, less than the 2.25% Commitment Fee in the existing Hillmount DIP Facility; and

b) the Applicants were required, under the Stabilis DIP Facility Commitment Letter, to market and sell all Non-Core Real Estate and apply the proceeds as follows:

   i. the first $2,000,000 of Net Proceeds (as defined in the Stabilis DIP Facility Commitment Letter) from the sale of the Non-Core Real Estate other than the London Property would first be applied to pay down the DIP Facility, second to pay secured lenders with valid mortgage security against their respective

Non-Core Real Estate in order of priority, and any residual balance of the Net Proceeds would be used to pay down the DIP Facility; and

ii. the first $2,000,000 of Net Proceeds (as defined in the Stabilis DIP Facility Commitment Letter) from the sale of the London Property, would first be applied to pay down the DIP Facility, second to pay secured lenders with valid mortgage security against the London Property in order of priority, and any residual balance of the Net Proceeds would be used to pay down the Stabilis DIP Facility.

25. As noted above, in the Amended and Restated Initial Order, the Court authorized the Applicants to enter into the DIP Facility on the terms of the Stabilis DIP Facility Commitment Letter and increased the maximum amount of the DIP Lender's Charge to $7.5 million. On January 3, 2020, the Court granted an order approving the DIP Facility Loan Agreement.

VALUE OF COLLATERAL SECURED BY THE LOAN

26. Subject to the charges granted in the Initial Order, as of the Filing Date, Philipp was the first secured creditor on the personal property of AgMedica and held a second collateral mortgage on the London Property. The first collateral mortgage on the London Property was held by Stone Quest Capital Corporation ("**Stone Quest**").

Distributions Related to London Property

27. As detailed further in the Sixth Report of the Monitor dated March 5, 2020 (the "**Sixth Report**") and the Supplement to the Sixth Report of the Monitor dated March 9, 2020, the Applicants entered into an agreement of purchase and sale with respect to the London Property dated December 2, 2019, as amended by an amendment dated March 6, 2020, which was approved by this Court on March 9, 2020 and closed on May 29, 2020. A copy of the Sixth Report, with only certain relevant appendices included, is attached hereto as **Appendix "C"**.

28. Pursuant to the Distribution Order, on closing of the sale of the London Property:

a) $2,000,000 was distributed to Stabilis on account of the DIP Facility;

b) $4,198,574.22 was distributed to Stone Quest in full satisfaction of its loan; and

c) $700,825.58 was distributed to Philipp on account of the Loan.

Liquidation Analysis on AgMedica Assets

29. As detailed further in the Eighth Report of the Monitor dated July 31, 2020 (the "**Eighth Report**"), in connection with the Applicants' motion for the Meeting Order, the Monitor performed an illustrative analysis of a hypothetical liquidation of the remaining assets of the Applicants in order to demonstrate the potential recovery to creditors in that scenario (the "**Liquidation Analysis**"). A copy of the Eighth Report, with only certain relevant appendices included, is attached hereto as **Appendix "D"**.

30. In the Liquidation Analysis, the Monitor provided a low estimate of realizable value in liquidation (the "**Low Realization Estimate**") and a high estimate of realizable value in liquidation (the "**High Realization Estimate**") of the value of the personal property of AgMedica as follows:

a) Low Realization Estimate: $2,498,811

b) High Realization Estimate: $4,264,716

31. The assumptions underpinning these estimates are set out in the Liquidation Analysis which is contained at Appendix "H" to the Eighth Report.

32. The Liquidation Analysis is based on hypothetical liquidation scenarios commencing in August 2020. In order to evaluate whether the value of the personal property of AgMedica would have been materially different as of the Filing Date, the Monitor has conducted an analysis of the book value of the personal property of AgMedica and the potential recovery to creditors as of the Filing Date. The Monitor has determined that the recovery to creditors as of the Filing Date would have been less favourable when compared to the estimates set out in the Liquidation Analysis. Specifically, the cash balances and the accounts receivable balances as of the Filing Date were lower than estimated at August 30, 2020.

33. Accordingly, the Monitor is of the opinion that the Low Realization Estimate and High Realization Estimate in the Liquidation Analysis provide a fair and, from the perspective of creditors such as Philipp, more favourable estimate of the value of the personal property of AgMedica as of the Filing Date.

Value of Philipp Collateral Based on Distributions in Accordance with the DIP Facility

34. As set out above, the Monitor estimates that the value of the security held by Philipp as of the Filing Date after allocations to the DIP Facility, based on the actual distribution to Philipp in connection with the sale of the London Property and the estimated value of the personal property of AgMedica reflected in the Liquidation Analysis, would be between $3,199,637 and $4,965,541.

35. The following is a comparison of the amount owing under the Loan and the value of the Philipp security as of the Filing Date after allocations to the DIP Facility in accordance with the DIP Facility Loan Agreement:

	Low Realization Estimate (CAD)	**High Realization Estimate (CAD)**
Amount Owing at the Filing Date **(A)**	$5,204,255	$5,204,255
Value of Security – Personal Property of AgMedica	$2,498,811	$4,264,716
Value of Security – London Property	$700,826	$700,826
Value of Security – Total **(B)**	$3,199,637	$4,965,541
Deficiency in Security (A – B)	**$2,004,618**	**$238,714**

36. Accordingly, as of the Filing Date, the amount owing to Philipp under the Loan exceeded the value of the security over the property of the Applicants held by Philipp after allocations to the DIP Facility, regardless of whether the Low Realization Estimate or then High Realization Estimate is used to value the personal property of AgMedica.

Value of Philipp Collateral Based on Pro-rata Distributions to DIP Facility and Philipp Facility

37. The Monitor is of the view that the above methodology is most appropriate for valuing the security of Philipp as of the Filing Date.

38. In the alternative, the Monitor has considered the valuation of the Philipp security if the security of the DIP Lender was applied on a *pro rata* basis across all of the assets of the Applicants based on their respective values, instead of in the manner contemplated in the DIP Facility Loan Agreement. The Monitor's analysis in this respect is set out in **Appendix "E"** attached hereto (the "**DIP Allocation Analysis**").

39. For example, using the High Realization Estimate, the DIP Facility would have been allocated across the assets of the Applicants as of the Filing Date as follows:

Property/Assets	Value	Percent	Allocation of DIP Facility
566 Riverview	$3,647,855	13%	$1,006,606
715 Richmond	$3,759,371	14%	$1,037,378
830 Richmond	$1,548,520	6%	$427,306
650 Riverview	$6,167,722	23%	$1,701,949
1095 Wilton Grove	$6,899,400	25%	$1,903,851
Other Assets	$840,418	3%	$231,909
Remaining AgMedica Assets	$4,264,716	16%	$1,176,825
Total	**$27,128,003**	**100%**	**$7,485,823**

41. If the DIP Facility was allocated across the assets of the Applicants in this manner, the value of the security held by Philipp as of the Filing Date would have been as follows:

	Low Realization Estimate (CAD)	**High Realization Estimate (CAD)**
Net Proceeds of the London Property	$6,899,400	$6,899,400
Less: DIP Facility Allocated to London Property	($2,059,633)	($1,903,851)
Less: Stone Quest Facility	($4,198,574)	($4,198,574)
Value of Security on London Property (A)	**$641,193**	**$796,975**
Net Proceeds of Other Assets[3]	$840,418	$840,418
Less: DIP Facility Allocated to Other Assets	($250,884)	($231,909)
Value of Security on Other Assets (B)	**$589,534**	**$608,509**
Valuation of Remaining AgMedica Assets	$2,498,811	$4,264,716
Less: DIP Facility Allocated to Remaining AgMedica Assets	($745,954)	($1,176,825)
Value of Security on Remaining AgMedica Assets (C)	**$1,752,857**	**$3,087,891**
Total Value of Security (A) + (B) + (C)	**$2,983,584**	**$4,493,375**

[3] As detailed in the Eighth Report: (i) the Applicants sold certain surplus LED lights pursuant to an agreement dated January 14, 2020 for net proceeds of $464,623; and (ii) an auction for certain surplus and idle equipment and supplies of AgMedica, such as grow mediums, packaging inventory and excess construction material occurred on June 18, 2020 and aggregate gross proceeds in the amount of $375,795 were realized.

42. As noted above, the amount owing to Philipp under the Loan as the Filing Date was $5,204,255. Accordingly, even if the DIP Facility was allocated across the assets of the Applicants, the amount owing to Philipp under the Loan exceeded the value of the security over the property of the Applicants held by Philipp as of the Filing Date after allocations to the DIP Facility, regardless of whether the Low Realization Estimate or the High Realization Estimate is used to value the personal property of AgMedica:

	Low Realization Estimate (CAD)	**High Realization Estimate (CAD)**
Amount Owing at the Filing Date **(A)**	$5,204,255	$5,204,255
Value of Security – Total **(B)**	$2,983,584	$4,493,375
Deficiency in Security (A – B)	**$2,217,508**	**$707,717**

POST-FILING INTEREST PAYMENTS UNDER THE PHILIPP LOAN

43. After the Filing Date, the Applicants paid the interest that had accrued under the Loan prior to the Filing Date to Philipp in the amount of USD $97,857 (CAD $130,120). The Applicants also paid interest for the months of December 2019[4], January 2020 and February 2020 in the amount of USD $225,412 (CAD $299,730).

44. The Applicants have not made any further payments of interest under the Loan since February 2020. The total payments on account of interest made by the Applicants to Philipp during the CCAA Proceedings equal USD $323,269 (CAD $429,850).

PHILIPP CLAIM AND DISPUTED INTEREST SCENARIOS

45. The Monitor understands, based on the Henry Affidavit and the documents attached thereto and the Monitor's correspondence and discussions with counsel to the Applicants and Philipp, that:

[4] This includes the period from December 2 – December 31, 2019.

a) it is the Applicants' position that no interest accrued on the Loan after the Filing Date because of the "interest stops" rule as the amount owing under the Loan exceeded the value of Philipp's security;

b) it is the Applicants' alternative position that interest on the Loan continued to accrue at the Regular Rate (24% per annum) after the maturity date of the Loan (January 23, 2020), with $299,730 being the actual payment of interest by AgMedica during the period from December 2, 2019 to February 29, 2020; and

c) it is Philipp's position that interest on the Loan accrued at the Regular Rate (24% per annum) before the maturity date of the Loan (January 23, 2020) and the Default Rate (60% per annum) afterwards.

46. The Monitor has calculated the principal and interest that would be owing to Philipp as of September 11, 2020 (the date of the Sanction Hearing) under each of these three scenarios as follows:

	Amount (CAD) No Interest (0%)	**Amount (CAD) Regular Rate (24%)**	**Amount (CAD) Default Rate (60%)**
Principal	$5,074,135	$5,074,135	$5,074,135
Interest (Dec. 2, 2019 – Feb. 29, 2020)	($299,730)	$0	$180,167
Interest (Mar. 1 – May 29, 2020)	$0	$300,278	$777,349
Paydown Amount (May 29, 2020)	($700,826)	($700,826)	($700,826)
Interest (May 30 – Sept. 10, 2020)	$0	$328,209	$935,301
Total	**$4,073,579**	**$5,001,796**	**$6,266,126**

CONCLUSIONS AND RECOMMENDATIONS

47. As set out herein, the Monitor has concluded that the amount owing to Philipp under the Loan exceeded the value of the security over the property of the Applicants held by Philipp as of the Filing Date after allocations to the DIP Facility. Accordingly, by virtue of the "interest stops" rule, interest did not continue to accrue on the Loan after the Filing Date.

48. The Monitor thus recommends that the Court grant, should it see fit to do so, the relief requested by the Applicants in paragraph 1 of the Motion, among other things, declaring that the revised value of the Philipp Claim is $4,073,579, which claim is comprised of a Secured Claim in the amount of $3,834,865 and an unsecured Claim of CAD $238,714 (as this was the minimum amount of the deficiency in the security of Philipp as of the Filing Date as set out in paragraph 35 above).

All of which is respectfully submitted this 2nd day of September, 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

APPENDIX "A"
PRE-FILING REPORT

Court File No.

ONTARIO

SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 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")**

REPORT OF THE PROPOSED MONITOR
DATED DECEMBER 2, 2019

INTRODUCTION

1. Ernst & Young Inc. ("**EY**" or the "**Proposed Monitor**") understands that Applicants have brought an application (the "**CCAA Application**") before this Court returnable on December 2, 2019, seeking an initial order (the "**Proposed Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("**CCAA**") to, among other things, obtain a stay of proceedings to allow them an opportunity to restructure their business and affairs. The Applicants propose that EY be appointed as Monitor of the Applicants in these CCAA proceedings (in such capacity, the "**Monitor**").

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

PURPOSE

3. The purpose of this report is to provide information to the Court on:

   a. EY's qualifications to act as Monitor;

   b. an overview of the Applicants;

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

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

   e. certain relevant matters about the relief sought in the Proposed Initial Order.

TERMS OF REFERENCE

4. In preparing this Report and making the comments herein, the Proposed 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 Report in respect of the Cash Flow Forecast:

   a. the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Proposed 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.

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

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

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

EY'S QUALIFICATION TO ACT AS MONITOR

8. EY is a licensed insolvency trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act* (Canada). EY is not subject to any of the restrictions set out in section 11.7(2) of the CCAA on who may be appointed as Monitor.

9. As discussed in further detail later in this report, EY already has a detailed understanding of the Applicants' operations, and cash flow, and will be in a position to very quickly and seamlessly perform its responsibilities as Monitor, if appointed.

10. The Proposed Monitor has retained McCarthy Tetrault LLP to act as its independent counsel.

OVERVIEW OF THE APPLICANTS

11. This Report should be read in conjunction with the Affidavit of Trevor Henry sworn December 1, 2019 (the "**Henry Affidavit**") for additional background and financial

information with respect to the Applicants. Any terms not expressly defined herein are otherwise defined in the Henry Affidavit.

12. AgMedica Bioscience Inc. ("**AgMedica**"), the primary Applicant, is a licenced producer of cannabis in accordance with the *Cannabis Act* (the "**Act**") and the *Cannabis Regulations* (the "**Regulations**"). The principal activities of AgMedica are the cultivation, processing, distribution, and sale of dried cannabis flower, pre-rolled cannabis, cannabis softgel capsules, and cannabis oil (collectively, the "**Cannabis Products**").

13. AgMedica currently holds two site licenses:

    a. 1st Site license permits the cultivation, processing, and sale 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).

14. Through its subsidiary, Wellworth Health Corp. ("**Wellworth**"), AgMedica offers a telehealth style service, assisting patients through an on-line portal, by phone or through kiosks at partner locations.

15. 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 Beverage (USA) Inc., a dormant corporation incorporated under U.S law. A brief description of each of the entities are attached as **Appendix "A"**.

16. AgMedica has various strategic relationships that form a significant part of its business strategy, as follows:

Herbolea S.r.l. ("**Herbolea**")	AgMedica owns 25% of Herbolea Biotech S.r.l ("**Biotech**") with the remaining 75% owned by Herbolea. Biotech holds intellectual property rights to technology relating to the extraction, preservation, and stabilization

	of phyto-cannabinoids and terpenes from cannabis, hemp, and botanicals (the "**Technology**"). AgMedica has exclusive rights to this Technology in Canada and is currently finalizing the testing of this Technology at its licensed operating facility.
Mercury Morpheus Designs, SL ("**MMG**")	AgMedica has an exclusive license to use the MMG genetic strains of cannabis ("**MMG Strains**") within Canada, Germany, France, Belgium, Portugal, Israel, Chile, Barbados, and the Bahamas, for the limited purpose and scope of cultivating, growing, developing, marketing, and selling products derived from the MMG Strains.
Nutrasource Diagnostics Inc. ("**Nutrasource**")	A consulting firm that assists AgMedica with its global strategy and planning, and provides operational clinical trial support to assign substantiated claims to cannabis products.
Med-C Biopharma Corp. ("**MedC**")	AgMedica currently owns 9% of MedC with the option to increase its interest to 20%. AgMedica and MedC are working towards the development of medicinal products for human and veterinary use. Clinical trials will be performed in Israel, where appropriate. AgMedica has the exclusive rights to commercialize therapeutics developed by MedC in Canada and a global right of first refusal with respect to commercialization outside of Israel.
Bio Therapeutic Molecules Inc. ("**BTMI**")	BTMI is a third-party external provider of research and development management services with focused expertise in the pharmaceutical, nutraceutical, medical plant and agricultural disciplines. The service agreement between BTMI and AgMedica included a share-based compensation which resulted in BTMI owing approximately 9.6% of outstanding AgMedica common

	shares. AgMedica continues to utilize BTMI's services for research and development.
O3 Holding GmbH ("**KD Pharma**")	AgMedica entered into an exclusive joint venture agreement with KD Pharma (the "**KD Pharma JV**"). The principal purpose of the KD Pharma JV is to develop, market, distribute, and sell: (i) raw materials; (ii) dietary ingredients; (iii) active pharmaceutical ingredients; (iv) soft gel capsules; and (v) cannabis oil-based products, with or without Omega-3, derived from the extraction, isolation, and purification of phytochemical cannabis components.

CIRCUMSTANCES LEADING TO THE APPLICANTS' CCAA FILING

17. As further detailed in the Henry Affidavit, the Applicants' liquidity issues are a combination of various factors including:

a. external unfavourable factors that are affecting the entire cannabis industry, including price competition with the illicit market, challenges with the roll-out of retail models across the country, and learning curves to adjust product mix to match customer demands;

b. unfavourable performance in the capital markets led to the retraction of capital raised from public investors to complete an initial public offering; and

c. a proposed debt financing package, which required exclusivity during the negotiation phase, fell through in late October 2019 due to, among other things, the capital market conditions for the cannabis sector.

18. It is the Proposed Monitor's understanding that many other licensed producers of cannabis in Canada face similar pressures due to capital market conditions that have challenged the cannabis industry in recent months. The proposed CCAA proceedings will allow AgMedica to maintain its business operations, preserve supplier relationships and jobs for its employees, and provide stability for the benefit of all the Applicants' stakeholders.

OVERVIEW OF APPLICANTS' THIRTEEN WEEK CASH FLOW PROJECTION

19. The Applicants, with the assistance of the Proposed Monitor, have prepared a Cash Flow Forecast for the 13 week period from November 23, 2019 to the week ending February 21, 2020 (the "**Cash Flow Period**") for the purpose of projecting the Applicants' estimated liquidity needs during the Cash Flow Period. A copy of the Cash Flow Forecast is attached as **Appendix "B"** to this Report.

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

21. The Proposed Monitor has reviewed the Cash Flow Forecast through inquiries, analytical procedures and discussions, and review of documents related to the Information supplied to it by certain key members of Management and employees of the Applicants. Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe, in all material respects, that:

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

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

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

22. The Applicants maintain bank accounts with Libro Credit Union and Royal Bank of Canada for their operations. Currently, the Applicants have no bank credit or overdraft facilities.

23. The Cash Flow Forecast shows that during the Cash Flow Period, the Applicants project estimated total combined receipts of approximately $5.7 million and project estimated total combined disbursements of approximately $8.6 million. The Cash Flow Forecast projects

that the Applicants will have sufficient liquidity during the first 13 weeks of the CCAA proceedings, subject to Court approval of the interim financing agreement (the "**DIP Facility Agreement**") and the related DIP Charge (discussed later herein).

24. The Proposed Initial Order has limited the initial DIP Charge to $1,000,000. However, the Applicants will seek to amend the DIP Charge to $7,500,000 under the proposed Amended and Restated Initial Order.

RELEVANT MATTERS ADDRESSED IN THE PROPOSED INITIAL ORDER

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

a. first, the Administration Charge;

b. second, the DIP Charge; and

c. third, the Directors' Charge.

26. The Proposed Monitor understands that the Applicants have provided their secured creditors with notice prior to commencing these CCAA proceedings. Such secured creditors will be included on the Service List in connection with these CCAA proceedings moving forward and, as such, will be provided with motion materials in connection with the comeback motion, upon which the Applicants will seek, among other things, a stay extension.

Administrative Charge

27. The Proposed Initial Order provides for a charge up to a maximum amount of $250,000 (the "**Administration Charge**") in favour of counsel to the Applicants, the Proposed Monitor and the Proposed Monitor's independent counsel, as security for the professional fees and disbursements incurred prior to and after the commencement of the CCAA

proceedings. Professional fee obligations secured by the Administration Charge will be paid in the ordinary course from funding provided by, among other things, the DIP Facility.

28. The Applicants, at the comeback hearing, will seek to amend the Administration Charge to $500,000 under the proposed Amended and Restated Initial Order.

29. The Proposed Monitor is of the view that given the current liquidity constraints of the Applicants, the proposed Administration Charge is required and reasonable in the circumstances. The Proposed Monitor believes the quantum of the Administration Charge is reasonable in the circumstances based upon a review and assessment of the anticipated professional costs to be incurred during this matter.

DIP Charge

30. In order to provide the required liquidity needed to fund the operations of the AgMedica during the CCAA proceedings, the Applicants are seeking the approval of the DIP Facility Agreement, pursuant to which Hillmount Capital Inc. (the "**DIP Lender**") agreed to provide the DIP financing ("**DIP Facility**") required in the Cash Flow Forecast, subject to the terms of the DIP Facility Agreement. In addition to the approval of this proposed DIP Facility Agreement, the Proposed Initial Order also provides for the creation of a related charge of $1,000,000 (the "**DIP Charge**") to match the maximum allowable borrowing amount as proposed in Proposed Initial Order. However, the Applicants, at the comeback hearing will seek to amend the DIP Charge to $7,500,000 under the proposed Amended and Restated Initial Order.

31. The DIP Charge will be secured by present and future real and personal, tangible and intangible property and assets including equipment, accounts receivable and inventories in favour of the DIP Lender in priority to all assignments, security interests, trusts, liens, mortgages, charges and encumbrances whatsoever, statutory or otherwise. A copy of the DIP Facility Agreement is attached as **Appendix "C"** to this Report.

32. The following is a summary of the material terms of the DIP Facility Agreement:

a. the DIP Facility is a revolving credit facility with monies to be advanced in accordance with the Cash Flow Forecast;

b. the maximum principal amount is $7.5 Million with an outside term of 9 months;

c. advances under the DIP Facility are as follows:

    i. The initial advance shall be provided promptly upon request by AgMedica and approved by the Monitor. The first advancement shall be advanced less the Commitment Fee of 2.25% on the initial $1 Million advance and wiring fees; and

    ii. any subsequent advances shall be available on five business days prior written request to the DIP Lender and approved by the Monitor;

d. the advancements of the loan are to be used for: (i) ordinary course working capital and other general corporate purposes of the Applicants in accordance with, and subject to the limitations set forth in, the Cash Flow Forecast, the Proposed Initial Order or any other order of the Court in these CCAA Proceedings; and (ii) paying the transaction costs, fees and expenses incurred in connection with the DIP Facility, the CCAA proceedings and the transactions;

e. interest shall be compounded and payable monthly at the first of each month, at a rate of 9.5% per annum;

f. repayment of any amounts owing will be at the discretion of the Applicants, and will be applied as follows:

    i. first, to any accrued interest;

    ii. second, to any Permitted Fees and Expenses (as that term is defined in DIP Facility Agreement); and

    iii. third, to any outstanding principal.

33. The Applicants, with the assistance of their counsel and the Proposed Monitor, solicited offers to achieve competing proposals from various prospective DIP lenders. The Applicants, along with their counsel and the Proposed Monitor, reviewed terms submitted from prospective DIP lenders and the recommendation for this acceptance of the DIP Facility Agreement was based on, among other things, the maximum principal amount of the DIP loan, fees and costs, and ability for the Applicants to meet any additional terms and conditions prescribed under the various terms sheets received in connection with this process.

34. As described in the Cash Flow Forecast, the Applicants have a critical and immediate need for interim financing. Without access to the DIP Facility, the Applicants will exhaust their opening cash balance within the first week and will thus be unable to maintain their operations and effect a restructuring. Accordingly, the Proposed Monitor is of the view that the Applicants' request for approval of the DIP Facility Agreement and the DIP Charge is required and reasonable in the circumstances prior to the comeback hearing.

Directors' Charge

35. The Proposed Initial Order provides for a charge in an amount not to exceed $500,000 (the "**Directors' Charge**") to secure an indemnity in favour of the current director and officers of the Applicants (the "**Director and Officers**") against obligations and liabilities that they may incur as director or officers of the Applicants after the commencement of these CCAA proceedings, except to the extent that the obligation or liability is incurred as a result of such director's or officer's gross negligence or willful misconduct. The Applicants, at the comeback hearing, will seek to amend the Directors' Charge to $900,000 under the proposed Amended and Restated Initial Order.

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

37. The Proposed Monitor reviewed the calculation of the Directors' Charge that was prepared by the Applicants taking into consideration the estimated payroll-related costs, the timing of such payroll related costs, the estimated peak vacation accrual, and an estimate of costs related to harmonized sales taxes ("**HST**") based on potential upcoming payments of HST.

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

CONCLUSIONS AND RECOMMENDATIONS

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

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

All of which is respectfully submitted this 2nd day of December, 2019.

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

per:

Alex Morrison, CPA, CA
Senior Vice President

APPENDIX "C"
DIP FACILITY AGREEMENT

HILLMOUNT CAPITAL

Term Sheet

November 27, 2019

AgMedica Bioscience Inc.
111 Heritage Road, Suite 200
Chatham, ON N7M 5W7

Attention: ___________

Dear Sirs:

RE: Term Credit Facility (the "DIP Facility")

We understand that AgMedica Bioscience Inc., 2472602 Ontario Inc., 2642466 Ontario Inc., 8895309 Canada Inc., Wellworth Health Corp., 8050678 Canada Inc., 8326851 Canada Inc., Tavivat Naturals Inc., World Wide Beverage Innovations Inc., Unique Beverages (USA) Inc. and Eseela Inc. (collectively, (the "**Borrower**")) intend to seek protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**") pursuant to an initial order (and subsequent amended and restated initial order (together, the "**Initial Order**") to be obtained from the Ontario Superior Court of Justice (Commercial List) (the "**Court**"), which, among other things, appoints Ernst & Young Inc. as the court-appointed monitor (in such capacity, the "**Monitor**").

In connection with the proceedings to be commenced by the Initial Order (the "**CCAA Proceedings**"), Hillmount Capital Inc., in its capacity as a lender (the "**Lender**"), wishes to extend a preliminary quote and pursue arranging a formal DIP Loan Agreement (as defined below) in accordance with the terms and conditions detailed below and subject to final approval. The terms and conditions are as follows:

LENDER:	Hillmount Capital Inc. (the "**Lender**")
BORROWER(S):	AgMedica Bioscience Inc. (the "**Borrower**")
REAL PROPERTY:	1. 566 Riverview Drive, Chatham-Kent, ON 2. 650 Riverview Drive, Chatham-Kent, ON 3. 715 Richmond Street, Chatham-Kent, ON 4. 830 Richmond Street, Chatham-Kent, ON 5. 1095 Wilton Grove Road, London, ON (the "**London Property**") (collectively, the "**Real Property**")
PRIORITY / SECURITY:	1. DIP Loan Agreement. 2. All supporting authorizations, certificates, acknowledgments and legal opinions as the Lender may reasonably require including, without limitation, satisfactory legal opinions of the Lender's lawyer relating to any business style registration or incorporation, organization and corporate powers of the Borrower and to the enforceability and priority of the security. 3. A super-priority court ordered charge pursuant to the Initial Order over the Real Property (as defined above) and the Borrower's present and future real and personal, tangible and intangible property and assets including equipment, accounts receivable and inventories in favour of the Lender in priority to all assignments, security interests, trusts, liens, mortgages, charges and encumbrances whatsoever, statutory or otherwise (the "**DIP Charge**") subject only to the super-priority court ordered Administration Charge pursuant to the Initial Order in the amount of $500,000.

Borrower(s)/Guarantor(s) Initials: ___________

4. Such other security, documentation or assurance, as may be required by the Lender or the Lender's solicitor.

LOAN AMOUNT:	Maximum principal amount of $7,500,000
FEES:	Lender Commitment Fee – 2.25% Lender Legal Fees, Disbursements and HST – To be determined by Lender's solicitor The Lender Commitment Fee shall be earned and payable on the date of the definitive agreement governing the financing transaction contemplated by this Term Sheet (the "**DIP Loan Agreement**").
ADVANCES:	Provided that (i) the Initial Order including the DIP Charge has been made; (ii) an Event of Default has not occurred; and (iii) demand for payment has not been made, the DIP Facility shall be available by one or, at the option of the Borrower, multiple advances each in the minimum amount of $1,000,000. The initial advance shall be provided promptly upon request by the Borrower and approved by the Monitor, and any subsequent advances shall be available on 5 business days prior written request to the Lender and approved by the Monitor. The proceeds of the first advance on the DIP Facility shall be advanced less the following: (a) Lender Fees (including Lender Commitment Fee and wiring fees) on the full loan amount; (b) Legal fees and disbursements plus HST thereon; (c) All reasonable costs, fees and expenses incurred by the Lender in connection with the negotiation and preparation of this Term Sheet; and (d) Interest adjustment payment to the 1st of the month.
INTEREST RATE & PAYMENT:	Interest shall be compounded and calculated monthly at the rate of **9.50% per annum**, not in advance. Interest shall be payable: (i) monthly, in arrears, on the 1st day of each month until the full amount outstanding hereunder on account of the DIP Facility has been paid in full; (ii) in accordance with the Repayment section below; and (iii) upon Maturity (as hereinafter defined).
REPAYMENT:	Any amounts received in repayment of obligations owing under the DIP Loan Agreement shall be paid and applied as follows: (i) firstly, towards outstanding interest and costs payable hereunder; (ii) secondly, towards outstanding Permitted Fees and Expenses (as hereinafter defined); and (iii) thirdly, towards outstanding principal hereunder.
PERMITTED FEES & EXPENSES:	Permitted Fees and Expenses includes: (a) All reasonable costs, fees and expenses incurred by the Lender in connection with the administration of the DIP Facility including any enforcement of the DIP Charge (all such fees and expenses shall be added to the DIP Facility and secured by the DIP Charge); (b) All reasonable and documented fees and expenses of counsel for the Borrower in connection with the DIP Facility and the CCAA Proceedings; and (c) The Administration Charge as defined in the Initial Order which charge shall not exceed $500,000.
LENDER'S SOLICITOR:	Joseph Fried - Fogler Rubinoff LLP Tel: (416) 941-8836 Fax: (416) 941-8852 Email: jfried@foglers.com Vern DaRe – Fogler Rubinoff LLP Tel: (416) 941-8842 Fax: (416) 941-8852

Email: vdare@foglers.com

TERMS OF LOAN & PREPAYMENT PRIVILEGE:

The DIP Facility matures on the earliest of (**"Maturity"**):

(a) The date that is 9 months from the date of the DIP Loan Agreement or such later date as the Lender may agree in writing;
(b) The completion of a sale or sales of all or substantially all of the Borrower's assets, property and undertaking, as approved by the Lender, the Monitor and, where required, the Court;
(c) The implementation of a plan of compromise or arrangement within the CCAA Proceedings, which has been approved by the requisite majorities of the Borrower's creditors, by the Court, and by the DIP Lender;
(d) The date on which the Initial Order expires without being extended or on which the CCAA Proceedings are terminated or dismissed; and
(e) The occurrence of an Event of Default.

All amounts outstanding or payable under the DIP Loan Agreement (including principal and all unpaid accrued interest under the DIP Facility and all fees and other amounts required to be paid by the Borrower) shall be due and payable in full on Maturity.

The DIP Facility can be permanently repaid in whole or in part at any time upon 15 days written notice to the Lender. Partial discharge provisions will be discussed and determined with the Borrower and the Monitor, as required, and based on the Borrower's cash flows and plan. The Lender agrees to allow the net sale proceeds (which shall equal to gross sale price less taxes, usual closing adjustments, legal expenses for conveyancing of the property and realty commissions commensurate with industry standards) from the sale of the London Property to be held in Trust with the Monitor until such time as the DIP Facility is fully paid.

PURPOSE OF LOAN:

The Loan has been requested by the Borrower for: (i) ordinary course working capital and other general corporate purposes of the Borrower in accordance with, and subject to the limitations set forth in, the cash flow projections, the Initial Order or any other order of the Court in the CCAA Proceedings; and (ii) to pay transaction costs, fees and expenses incurred in connection with the DIP Facility, the CCAA Proceedings and the transactions contemplated thereunder.

DEFAULT:

The following events shall constitute events of default (each an **"Event of Default"**):

(a) If the Borrower fails to pay to the Lender when due any amount of principal, interest or other amounts under the DIP Facility, this Term Sheet or otherwise, whether by acceleration or otherwise;
(b) If the Borrower defaults, in the observance or performance of any other non-financial term, covenant or condition in this Term Sheet or any other agreement between the Lender and the Borrower entered into on or after the date of the DIP Loan Agreement;
(c) If the Lender determines, in its sole discretion, acting reasonably, that a material adverse change has occurred after the date hereof in respect of the business, affairs or financial condition of the Borrower;
(d) If the Borrower fails to pay wages to the Borrower's employees or to remit source deductions as they become due from time to time but only with respect to those priority payments which rank ahead of the Lender;
(e) If the Borrower fails to remit provincial sales taxes or goods and services taxes as they become due from time to time but only with respect to those priority payments which rank ahead of the Lender;

Borrower(s)/Guarantor(s) Initials: ______

(f) If (i) the Initial Order is varied without the consent of the Lender or any other order is made which is or may be prejudicial to the Lender's interests, acting reasonably; (ii) the Initial Order is appealed or leave to appeal is granted; or (iii) the stay of proceedings contained in the Initial Order is terminated or lifted;
(g) If a receiver is appointed over any property of the Borrower or any judgment or order or process of any court becomes enforceable against the Borrower or any property of the Borrower or any creditor takes possession of any property of the Borrower;
(h) If the Borrower ceases to carry on business; and
(i) If the Borrower becomes a bankrupt under the *Bankruptcy and Insolvency Act*.

REMEDIES:

Upon the occurrence of an Event of Default, the Lender may immediately terminate the DIP Facility and:

(a) All amounts outstanding under the DIP Facility and this Term Sheet shall, at the option of the Lender, immediately become due and payable; and
(b) Upon seeking an order of the Court on 10 days prior notice, enforce, without further notice, demand or delay all of its rights and remedies against the Borrower and its property, assets and undertaking including without limitation, by way of appointment of a receiver.

ADDITIONAL CONDITIONS AND REPRESENTATIONS:

The DIP Loan Agreement will be closed as soon as possible and after (a) receipt of all requested documentation as will be indicated in the DIP Loan Agreement; and (b) the terms and conditions of the DIP Loan Agreement are fulfilled, including (but not limited to) the following:

1. The Borrower obtaining the Initial Order on terms acceptable to the Lender, including an Order:
   a. authorizing the Borrower to enter into and authorizing the Borrower and the Monitor to perform their obligations under this Term Sheet and a DIP Loan Agreement;
   b. authorizing the Lender to effect such registrations, filings and recordings that it deems appropriate, in its sole discretion, regarding the security granted to the Lender under the DIP Charge;
   c. granting the Lender a super-priority court ordered charge over all of the present and future real and personal, tangible and intangible property and assets of the Borrower which is only subordinate to the Administration Charge;
   d. granting the Lender the right, upon the occurrence of an Event of Default (as defined below) and pursuant to the Initial Order, to enforce the rights and remedies available to it under the security documentation and pursuant to the law;
   e. prohibiting any further borrowing by the Borrower, without the prior written consent of the Lender;
   f. prohibiting the granting of any additional liens, charges, security interests or any other encumbrances upon the Real Property or assets of the Borrower;
   g. requiring the Borrower to provide the Lender such reports, schedules and cash flows as is currently being provide to the Monitor; and
   h. declaring the Order, and the DIP Charge granted thereunder, binding upon a trustee in bankruptcy of the Borrower, receiver, receiver-manager or other officer of the Court.
2. Satisfactory due diligence review of the following:
   a. Confirmation that the Borrower is current on all its filings and all its deemed trust payments (i.e. WSIB, source deductions, HST).

b. Confirmation that the Borrower is compliant with all applicable material federal, provincial and municipal laws, regulations and policies in relation to their activities.

3. All property taxes on the Real Property to be current at the time of closing. Any arrears in property taxes must be paid in full prior to closing or from the proceeds of this Loan. Borrower(s) to pay property taxes directly and provide confirmation to the Lender, on a quarterly basis, that the property taxes are up to date.
4. Please see Schedule "A" for additional terms of the DIP Loan Agreement which are not necessarily preconditions to the closing.
5. Satisfactory review of adequate fire and building "all risk" insurance on the Real Property by Lender or its independent insurance advisor. The Lender is to be designated as loss payee. The cost of the insurance review by the advisor is the responsibility of the Borrower.
6. It is hereby agreed by and between the Lender and the Borrower that any monies tendered in respect of the DIP Facility payments or other payments due shall be paid by 1 p.m. on the business day upon which they are due. If received after that time (i.e. for computing interest), the monies will be deemed to be received the next business day.
7. Satisfactory inspection of the Property and review of the appraisal by the Lender and its agent. Borrower to be responsible for inspection / review fees and letter of transmittal. Property values are to be no less than the following on an "as is" basis":
   a. $5,000,000 - 566 Riverview Drive, Chatham-Kent, ON
   b. $5,800,000 - 650 Riverview Drive, Chatham-Kent, ON
   c. $4,525,000 - 715 Richmond Street, Chatham-Kent, ON
   d. $1,500,000 - 830 Richmond Street, Chatham-Kent, ON
   e. $6,600,000 - 1095 Wilton Grove Road, London, ON
8. Satisfactory review of the leases in place and (tenant acknowledgements, if so required by Lender's solicitor, in a form satisfactory to the Lender's solicitor).
   a. Satisfactory review of the: (a) rent roll indicating the tenant names, details of leases (lease start date, lease expiry, lease amount (on a net basis), TMI collected, SF of tenanted space, etc.); and (b) operating statements.
   b. Any related party leases (if any) shall agree to postpone and subordinate their interests to the Dip facility.

POST-CLOSING CONDITION:

9. Satisfactory review of the Phase 1 environmental reports and / or Phase 2 environmental reports on 566 Riverview Drive and 650 Riverview Drive by a Lender approved environmental consultant. The environmental reviews are to be addressed to the Lender indicating a non-contaminated site. Borrower will be responsible for consultant fees. Should the Phase 2 indicate any contamination, the report should include the cost to remedy.

SCHEDULES ATTACHED: The following attached schedule(s) form a part of this Term Sheet:
Schedule A – Conditions

Borrower(s)/Guarantor(s) Initials: ______

In order to proceed, kindly indicate your acceptance of the above terms and conditions by signing below and returning this Term Sheet to the Lender by **4:30pm** on **November 29, 2019**, along with a non-refundable deposit payable to the Lender in the amount of **$20,000.00** (the "**Deposit**"), representing a portion of the non-refundable application fee. The Deposit will be applied against processing a DIP Loan Agreement substantially in accordance with the terms and conditions outlined in this Term Sheet. **Please note that this Term Sheet does not constitute a DIP Loan Agreement but is rather an expression of interest.**

Yours truly,

Hillmount Capital
416-849-0322
Lic. #10453 and #11925

ACCEPTANCE OF TERM SHEET BY BORROWER

The Borrower hereby consents to the Lender obtaining credit and/or personal information on the Borrower from any source and each source is hereby authorized to provide such information to the Lender.

I / We accept this Term Sheet and post with the Lender **$20,000.00** representing a portion of the underwriting application and work fees. The Deposit will be non-refundable. The Borrower acknowledges that the Deposit is a reasonable estimate of work costs incurred in sourcing, investigating, underwriting and preparing the DIP Loan Agreement. The Lender will issue a DIP Loan Agreement substantially in accordance with the terms and conditions outlined in this Term Sheet and we agree to forfeit the Deposit as liquidated damages, if because of our / my default for any reason (including discrepancies from application), the loan is not advanced. Providing the loan is advanced fully, the Deposit will be applied towards the Lender Commitment Fee.

Accepted this 29 day of November 2019.

Borrowers

Name: AgMedica Bioscience Inc.
A.S.O.
I have authority to bind the corporation.

Name: 2472602 Ontario Inc.
A.S.O.
I have authority to bind the corporation.

Name: 2642466 Ontario Inc.
A.S.O.
I have authority to bind the corporation.

Name: Wellworth Health Corp.
A.S.O.
I have authority to bind the corporation.

8050678 Canada Inc.
A.S.O.
I have authority to bind the corporation.

Name: 8326851 Canada Inc.
A.S.O.
I have authority to bind the corporation.

Borrower(s)/Guarantor(s) Initials:

Name: 8895309 Canada Inc.
A.S.O.
I have authority to bind the corporation.

Name: World Wide Beverage Innovations Inc.
A.S.O.
I have authority to bind the corporation

Name: Eseela Inc.
A.S.O.
I have authority to bind the corporation

Name: Tavivat Naturals Inc.
A.S.O.
I have authority to bind the corporation.

Name: Unique Beverages (USA) Inc.
A.S.O.
I have authority to bind the corporation.

Borrower(s)/Guarantor(s) Initials:

SCHEDULE A – CONDITIONS

ACCRUED AND EARNED INTEREST	Accrued interest calculated from the date that this DIP Facility is advanced to the Interest Adjustment Date will be deducted from the initial gross funds advanced. The Interest Adjustment Date is set at the Lender's option. The Borrower shall not be entitled to receive interest, if any, on any funds held in trust by the Lender. Any interest earned shall accrue to the Lender.
REGULATIONS	The Real Property must comply with all municipal, provincial and federal statues, regulations and requirements.
SURVEY REQUIREMENTS	Prior to any advance of funds under the DIP Facility, Lender may require a survey acceptable to it, showing the lands and the location of the Real Property to be secured by this DIP Charge. This survey is to be prepared, dated, signed and sealed by a duly qualified Provincial Land Surveyor and is to indicate the land area of the property and the location of all improvements and easements or rights-of-way. At the sole discretion of the Lender's lawyer, the survey requirement may not apply with title insurance.
ASSIGNMENT BY LENDER	The Lender shall have 7 normal business days following: the acceptance of the DIP Loan Agreement, and upon receipt of all requested underwriting information to assign all or part of the of the DIP Facility in an amount to be determined by the Lender at its discretion and subject to terms satisfactory to the Lender.
TITLE INSURANCE	At the Lender's sole option, the Borrower may be required to provide title insurance for the Real Property. The cost of the title insurance shall be at the Borrower's expense.
ADDITIONAL PROVISIONS	Our current schedule of administration and servicing fees include (but not limited to) the following charges:
$500.00	Missed payment fee: Payable for each missed or late installment payment and for replacing and processing each NSF cheque or returned payment for any charge on this property (ie 1st and / or 2nd mortgagee) or any other creditor (ie utility company, property taxes, etc).
$300.00	Insurance: Payable for dealing with each cancellation, premium payment or other non-compliance with insurance requirements.
$5,000.00	Default: Payable for each act or proceeding instituted.
$100.00	Loan Statements: For preparation of each statement.
$5,000.00	Possession: For attending to take possession following default.
$300.00	Administration: For administering maintenance and security of the property in our possession, per day.
$300.00	Loan Discharge & Statement Fee: For discharge on one property. $100.00 for each additional property.
$250.00	Tax Default Fee: For failure by the Borrower to provide satisfactory confirmation of tax payments.
$200.00	Annual Tax Account Administration Fee: For administering and maintaining the tax account
$300.00	For each written request necessitated by the Lender not replacing dishonoured cheques forthwith
$250.00	Failure to notify Lender of registration of lien by the Condominium Corporation for common maintenance arrears
$495.00	For each hour of administrative time spent by the Lender or its agent in dealing with issues of default related to this loan. This rate does not apply to solicitor services
$300.00	Inspection Fee (per property)
$90.00	Bank Wire Transfer Fee

The Lender reserves the right to charge reasonable fees for other administrative services. Renewal and renewal fee to be at the discretion of the Lender. In the event of a further occurrence of the administrative fees as set out herein, the administrative fees shall increase by a further sum of $50.00 and this shall be on a cumulative basis.

Borrower(s)/Guarantor(s) Initials:

APPENDIX “B”
FIRST REPORT

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")**

FIRST REPORT OF THE MONITOR DATED DECEMBER 11, 2019

INTRODUCTION

1. On December 1, 2019, the Applicants brought an application (the "**CCAA Application**") before this Court returnable on December 2, 2019, seeking an initial order pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("**CCAA**") to, among other things, obtain a stay of proceedings to allow them an opportunity to restructure their business and affairs.

2. On December 2, 2019, the Court granted an initial order in these proceedings (the "**Initial Order**") that, among other things, appointed Ernst & Young Inc. as monitor of the Applicants in these CCAA proceedings (in such capacity, the "**Monitor**"), granted a stay of proceedings for the initial 10-day period (the "**Stay Period**"), granted certain Court-ordered charges, and approved the interim financing facility (the "**Hillmount DIP Facility**") to be provided by Hillmount Capital Inc. ("**Hillmount**") pursuant to a DIP Facility Agreement (the "**Hillmount DIP Facility Agreement**").

3. The Initial Order contemplated a comeback motion to be heard on December 12, 2019 (the "**Comeback Motion**").

PURPOSE

4. The purpose of this first report of the Monitor (the "**First Report**") is to provide information to the Court on:

    a. the Applicants' operations and communications with the stakeholders since the granting of the Initial Order;

    b. the Monitor's activities since its appointment;

    c. the Stabilis DIP Facility Agreement (as defined below) as an alternative to the Hillmount DIP Facility Agreement;

    d. the Applicants' receipts and disbursements for the period from December 2, 2019 to December 6, 2019 compared to the cash flow forecast appended as Exhibit "Z" to the affidavit of Trevor Henry dated December 1, 2019 (the "**Initial Cash Flow Forecast**");

    e. the Applicants' updated weekly cash flow forecast from December 7, 2019 to March 13, 2020, on a consolidated basis for all the Applicants (the "**Cash Flow Forecast**");

    f. the Applicants' motion for an order (the "**Amended and Restated Initial Order**") substantially in the form attached to the Motion Record of the Applicants dated December 6, 2019 (the "**Comeback Motion Record**"), among other things:

        i. extending the Stay Period to March 12, 2020;

        ii. increasing the maximum amount of each of the Administrative Charge, the Directors' Charge and the DIP Lender's Charge;

        iii. approving the Applicants entering into a DIP facility agreement with SF V Bridge III, LP ("**Stabilis**") on the terms set out in the term sheet dated December 9, 2019 (the "**Stabilis DIP Facility Agreement**") and replacing Hillmount as the DIP lender; and

iv. granting certain other relief that is consistent with the Model Initial Order established by the Commercial List Users' Committee; and

g. the Applicants' motion for an order (the "**Non-Core Real Estate Order**") substantially in the form attached to the Comeback Motion Record, approving the retention of CBRE Limited ("**CBRE**") by the Applicants and to market and sell the Non-Core Real Estate (as defined below).

TERMS OF REFERENCE

5. In preparing this 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 First 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 First 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.

6. Future oriented financial information referred to in this First 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.

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

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

BACKGROUND

9. The principal operating entity among the Applicants is AgMedica Bioscience Inc. ("**AgMedica**"), which is a licensed producer of cannabis in accordance with the *Cannabis Act* (the "**Act**") and the *Cannabis Regulations* (the "**Regulations**"). The principal activities of AgMedica are the production, distribution, and sale of dried cannabis flower, pre-rolled cannabis, cannabis softgel capsules, and cannabis oil (collectively, the "**Cannabis Products**").

10. AgMedica currently holds two site licenses:

   a. 1st Site license permits the cultivation, processing, and sale of 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).

11. 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.

12. AgMedica has various strategic relationships that form a significant part of its business strategy, as follows:

Herbolea S.r.l. ("**Herbolea**")	AgMedica owns 25% of Herbolea Biotech S.r.l ("**Biotech**") with the remaining 75% owned by Herbolea. Biotech holds intellectual

	property rights to technology relating to the extraction, preservation, and stabilization of phyto cannabinoids and terpenes from cannabis, hemp, and botanicals (the "**Technology**"). AgMedica has exclusive rights to this Technology in Canada and is currently finalizing the testing of this Technology at its licensed operating facility.
Mercury Morpheus Designs, SL ("**MMG**")	AgMedica has an exclusive license to use the MMG genetic strains of cannabis ("**MMG Strains**") within Canada, Germany, France, Belgium, Portugal, Israel, Chile, Barbados, and the Bahamas, for the limited purpose and scope of cultivating, growing, developing, marketing, and selling products derived from the MMG Strains.
Nutrasource Diagnostics Inc. ("**Nutrasource**")	A consulting firm that assists AgMedica with its global strategy and planning, and provides operational clinical trial support to assign substantiated claims to cannabis products.
Med-C Biopharma Corp. ("**MedC**")	AgMedica currently owns 9% of MedC with the option to increase its interest to 20%. AgMedica and MedC are working towards the development of medicinal products for human and veterinary use. Clinical trials will be performed in Israel, where appropriate. AgMedica has the exclusive rights to commercialize therapeutics developed by MedC in Canada and a global right of first refusal with respect to commercialization outside of Israel.
Bio Therapeutic Molecules Inc. ("**BTMI**")	BTMI is a third-party external provider of research and development management services with focused expertise in the pharmaceutical, nutraceutical, medical plant and agricultural disciplines. The service agreement between BTMI and AgMedica included a share-based compensation which resulted in BTMI owing approximately 9.6% of outstanding AgMedica common shares. AgMedica continues to utilize BTMI's services for research and development.
O3 Holding GmbH ("**KD Pharma**")	AgMedica entered into an exclusive joint venture agreement with KD Pharma (the "**KD Pharma JV**"). The principal purpose of the KD

	Pharma JV is to develop, market, distribute, and sell: (i) raw materials; (ii) dietary ingredients; (iii) active pharmaceutical ingredients; (iv) soft gel capsules; and (v) cannabis oil-based products, with or without Omega-3, derived from the extraction, isolation, and purification of phytochemical cannabis components.

UPDATE ON APPLICANTS' OPERATIONS

13. Since the date of the Initial Order, the Applicants have maintained their existing operations.

14. To manage the existing relationships with their stakeholders, the Applicants prepared and executed a communications plan, which included:

    a. holding a town hall on December 3, 2019 with all employees to discuss the strategic direction of the Applicants' operations, provide information regarding the CCAA process and allow for a question and answer period to address employee concerns and questions;

    b. contacting customers;

    c. contacting certain key suppliers;

    d. contacting investors; and

    e. issuing a press release to the community.

15. The Monitor was notified on December 6, 2019 that the Applicants' internet and telecommunication provider was the victim to a cyber-attack, which had affected several of its customers. As a result, the Applicants computer systems were shut down to mitigate the risks and implement patches that would protect the Applicants' information technology systems. The Applicants took steps to ensure their books and records were backed up, notified the necessary regulatory authorities, and implemented physical control and security over the inventory in the operating facility. The Applicants worked with the service provider to restore the systems and protect themselves from similar cyber-attacks

going forward. The information systems were restored in part on December 7, 2019 and were fully restored by December 9, 2019.

16. On December 3, 2019, AgMedica borrowed $1,000,000 on the Hillmount DIP Facility net of $46,898.48 comprised of interest, commitment fee, and legal expenses paid to Hillmount as identified under the Hillmount DIP Facility Agreement.

MONITOR'S ACTIVITIES TO DATE

17. Since the granting of the Initial Order, the Monitor has been:

a. assisting the Applicants to execute their stakeholder communication plan, including attending the town hall and assisting the Applicants in their discussions with suppliers;

b. responding to calls, e-mails and letters received from creditors, employees and other parties with respect to these CCAA proceedings; and

c. reviewing the disbursements of the Applicants.

18. The Monitor has established a case website at www.ey.com/ca/agmedica (the "**Monitor's Website**"). All court documents and certain other documents will be posted on the Monitor's Website. Further, the Monitor has arranged for a toll-free hotline phone number 1-866-220-2247 for calls related to this matter and an e-mail address Agmedica.monitor@ca.ey.com for e-mail correspondence with the Applicants' creditors and other parties related to the CCAA proceedings.

19. Pursuant to the Initial Order, the following notices have been posted on the Monitor's Website and/or sent to the Applicants' stakeholders since the date of the Initial Order:

a. on December 2, 2019, the Monitor posted a copy of the CCAA application materials, the Report of the Proposed Monitor ("**Pre-Filing Report**"), and the Initial Order on the Monitor's Website;

b. on December 6, 2019, the Monitor sent a notice, which included information about the CCAA proceedings, the toll-free telephone number and the Monitor's email address (the "**Notice to Creditors**") to all known creditors, based on the contact information of such known creditors who has a claim against the Applicants of more than $1,000, provided by the Applicants (the "**Known Creditors**"), by prepaid ordinary mail. A copy of the Notice to Creditors was also posted on the Monitor's Website;

c. On December 6, 2019, the Monitor posted on the Monitor's Website a list showing the names of the Known Creditors and amounts owing according to the Applicants' books and records; and

d. On December 6, 2019, the Monitor published the Notice to Creditors in the Globe and Mail (National Edition). The second consecutive notice as required under the CCAA is scheduled to be published on December 13, 2019.

APPLICANTS' RECEIPTS AND DISBURSEMENTS

20. A summary of the Applicants' actual receipts and disbursements during the period from December 2 to December 6, 2019 (the "**Reporting Period**") as compared to the cash flow forecast set out in Appendix "B" to the Pre-Filing Report (the "**Variance Analysis**") is attached as **Appendix "A"** to this First Report.

21. During the Reporting Period, the Applicants' operations generated a net cash outflow of $91,477. The disbursements relate mainly to payroll and payments of employee reimbursements, license fees and rental expense. As at December 6, 2019, the Applicants' cash on hand was $1,166,822, which includes $1,000,000 drawn on the Hillmount DIP Facility.

22. The favourable cash position variance for the Reporting Period of $571,236 is a result of timing difference for payments relating to sales taxes, interest payments to secured lenders and restructuring costs. The Cash Flow Forecast has been amended during the Forecast Period (defined below) to include these timing differences in the subsequent weeks.

23. During the Reporting Period, sales receipts were lower than forecast as the Initial Cash Flow Forecast included assumptions regarding sales to new customers of the Applicants.

When orders were placed by these new customers, the payment terms were longer than initially forecast. These timing differences have been reflected in the Cash Flow Forecast.

OVERVIEW OF APPLICANTS' FOURTEEN WEEK CASH FLOW PROJECTION

24. The Applicants, with the assistance of the Monitor, have prepared a cash flow forecast from December 7, 2019 to the week ending March 13, 2020 (the "**Forecast Period**"). The Cash Flow Forecast attached as **Appendix "B"** to this First Report has been revised from the Cash Flow Forecast appended as Exhibit "E" to the Affidavit of Trevor Henry sworn December 6, 2019 to:

   a. update the opening cash balance as at December 7, 2019;

   b. revise sales accounts receivable receipts based on updated information; and

   c. add disbursements that were not made last week as a result of timing differences to the Forecast Period.

25. The Cash Flow Forecast shows that during the Forecast Period, the Applicants estimate total combined receipts of $6,243,933 and estimate total combined disbursements of $9,866,196. The Cash Flow Forecast projects that the Applicants will require draws of an additional $3,000,000 from the Stabilis DIP Facility to support its operations during Cash Flow Period along with an initial draw of $1,000,000 to repay the Hillmount DIP Facility, resulting in a total draw of $4,000,000.

STAY EXTENSION/AMENDED AND RESTATED INITIAL ORDER

26. The Amended and Restated Initial Order proposes certain amendments to the Initial Order. Some of these details are highlighted below.

<u>Stay Extension</u>

27. The Stay Period is currently set to expire on December 12, 2019. The Applicants are requesting an extension of the Stay Period until March 12, 2020.

28. The Monitor is of the view that the requested extension of the Stay Period is appropriate for the following reasons:

    a. the Applicants require the extension in order to continue their restructuring efforts;

    b. the Applicants will work with the Monitor to develop a sales and investment solicitation process, which the Applicants intend to seek Court approval of in relatively short order; and

    c. the Applicants have continued to operate in good faith and with due diligence since the date of the Initial Order.

29. Based on the Cash Flow Forecast, the Monitor believes that the Applicants will have sufficient liquidity to fund their operations until March 12, 2020.

30. For the foregoing reasons, the Monitor supports the Applicants' request for an order extending the Stay Period to March 12, 2020.

<u>Restructuring</u>

31. The Amended and Restated Initial Order, if approved by the Court, would allow the Applicants to:

    a. operationally restructure their business, including disposing of non-material assets not exceeding $500,000 in any one transaction or $1,000,000 in aggregate; and

    b. disclaim any leases governing any leased premises with Monitor approval.

32. These provisions are consistent with the relief contemplated in the Model Order developed by the Commercial List Users' Committee.

Amendments to Charges

33. The Applicants propose to increase the maximum amount of the Administration Charge from $250,000 to $500,000. The amount requested and approved in the Initial Order was relative to the exposure of legal counsel to the Applicants, the Monitor and its counsel over the initial 10-day stay period. This amount has been increased to provide reasonable protection to the beneficiaries of the Administration Charge over the much longer Stay Period.

34. The Monitor is of the view that given the current liquidity constraints of the Applicants, the increase to the Administration Charge is required and reasonable in the circumstances. The Monitor believes the quantum of the increased Administration Charge is reasonable in the circumstances based upon a review and assessment of the anticipated professional costs to be incurred during this matter.

35. The Applicants propose to increase the maximum amount of the DIP Lender's Charge from $1,000,000 to $7,500,000. The amount requested and approved in the Initial Order covered the initial draw under the Hillmount DIP Facility that was required to fund operations during the initial 10-day stay period. This amount has been increased to reflect the maximum Stabilis DIP Facility amount available to the Applicants.

36. As outlined in the Pre-Filing Report, without access to the Stabilis DIP Facility, the Applicants will exhaust their cash balance and will thus be unable to maintain their operations and effect a restructuring. Accordingly, the Monitor is of the view that the Applicants' request for approval of the DIP Charge in the full amount of the Stabilis DIP Facility is required and reasonable in the circumstances.

37. The Applicants propose to increase the maximum amount of the Directors' Charge from $250,000 to $900,000. The amount requested and approved in the Initial Order was relative to the exposure of the directors and officers of the Applicants over the initial 10-day stay period. This amount has been increased to reflect the potential exposure of directors and officers of the Applicants over the much longer Stay Period.

38. The Proposed Monitor reviewed the calculation of the Directors' Charge that was prepared by the Applicants taking into consideration the estimated payroll-related costs, the timing of such payroll related costs, the estimated peak vacation accrual, and an estimate of costs related to harmonized sales taxes ("**HST**") based on potential upcoming payments of HST.

39. The Proposed Monitor is of the view that an increase to the Directors' Charge is required and is reasonable under the circumstances.

NON-CORE REAL ESTATE ORDER

40. The Applicants are seeking approval of an order granting the ability to authorize CBRE Limited ("**CBRE**") to continue to list and conduct the sale of the following property (collectively, the "**Non-Core Real Estate**"):

    a. 650 Riverview Drive, Chatham-Kent, Ontario;

    b. 715 Richmond Street, Chatham-Kent, Ontario;

    c. 830 Richmond Street, Chatham-Kent, Ontario; and

    d. 1095 Wilton Grove Road, London, Ontario (the "**London Property**").

41. The Non-Core Real Estate consists of industrial properties that were originally purchased to provide for the planned expansion of the Applicants' business. However, as the Applicants' strategic direction has changed since purchasing the Non-Core Real Estate due to shifting market conditions, these buildings have not yet been converted to production facilities. Selling these properties will not affect the operations of the Applicants, do not form an integral part of the Applicants' restructuring plan, and will permit the Applicants to pay down their interest-bearing secured debt as contemplated by the Stabilis DIP Facility, thereby creating greater flexibility in developing their restructuring plan.

42. While the Applicants are seeking the authority in the Non-Core Real Estate Order to list the property at 830 Richmond Street, Chatham-Kent, Ontario, with CBRE if necessary, the current intention is not to list that property with CBRE.

REPLACEMENT DIP FACILITY

43. The Applicants entered into a commitment letter with Hillmount to provide debtor in possession financing up to $7,500,000 in order to finance working capital requirements and other general corporate purposes and capital expenditures. The Initial Order authorized the Applicants to borrow up to $1,000,000 under the Hillmount DIP Facility pending further order of the Court.

44. Stabilis, the Applicants' largest secured lender, had expressed concerns to the Applicants regarding the Hillmount DIP Facility terms which permitted a priority charge on all assets of the Applicants. Stabilis is owed US$ 8,131,863 plus interest and expenses to date pursuant to a loan agreement dated May 31, 2019 which indebtedness is guaranteed by AgMedica and secured by the real and personal property of 2472602 Ontario Inc., and 2642466 Ontario Inc. and the equity interests (and related personal property) of 2472602 Ontario Inc. and 2642466 Ontario Inc. owned by AgMedica.

45. As a result, after the Court granted the Initial Order, Stabilis requested the opportunity to submit its own DIP financing term sheet for the Applicants' consideration.

46. On or around December 9, 2019, Stabilis presented a term sheet to provide the Stabilis DIP Facility to AgMedica. The material terms of the Stabilis DIP Facility Agreement contemplated by the term sheet are summarized below:

a. the Stabilis DIP Facility is a non-revolving credit facility with monies to be advanced in accordance with the Cash Flow Forecast;

b. the maximum principal amount is $7,500,000 with an outside term of 9 months;

c. advances under the Stabilis DIP Facility are as follows:

i. The initial advance shall be provided promptly upon request by the Applicants and approved by the Monitor. The first advancement shall be advanced less the Commitment Fee of 2.00% on the full loan amount, wiring fees, Stabilis' costs and expenses to date (including legal fees and expenses) and repayment of the amounts owed to Hillmount; and

ii. any subsequent advances shall be available on three business days prior written request to the Stabilis and approved by the Monitor;

d. interest shall be compounded and payable monthly on the first of each month, in arrears, at a rate of 9.5% per annum;

e. the Applicants shall immediately market and sell the Non-Core Real Estate;

f. the first $2,000,000 of Net Proceeds (as defined in the Stabilis DIP Facility Agreement) from the sale of the Non-Core Real Estate other than the London Property, shall be used or reserved to pay down the Stabilis DIP Facility and the balance shall be used to pay secured lenders with valid mortgage security against their respective Non-Core Real Estate in order of priority, and any residual balance of the Net Proceeds would be used to pay down the Stabilis DIP Facility; and

g. the first $2,000,000 of Net Proceeds (as defined in the Stabilis DIP Facility Agreement) from the sale of the London Property, shall be used or reserved to pay down the Stabilis DIP Facility and the balance shall be used to pay secured lenders with valid mortgage security against the London Property in order of priority, and any residual balance of the Net Proceeds would be used to pay down the Stabilis DIP Facility.

47. The material terms of the Stabilis DIP Facility Agreement, as outlined above, are substantially similar to the existing Hillmount DIP Facility Agreement, with the following exceptions:

a. the Commitment Fee under the Stabilis DIP Facility is 2.00%, less than the 2.25% Commitment Fee in the existing Hillmount DIP Facility;

b. the Applicants are only required to give three business days' notice of a further request for an advance under the Stabilis DIP Facility, which is less than the five business days' notice required under the Hillmount DIP Facility; and

c. the Applicants are required, under the Stabilis DIP Facility, to market and sell all Non-Core Real Estate and apply $4,000,000 in total to repay the Stabilis DIP Facility in priority to others with valid mortgage security against those properties. Under the

Hillmount DIP Facility, the entirety of the net sale proceeds from the sale of the London Property were to be held in trust with the Monitor until such time as the Hillmount DIP Facility was paid in full. The Hillmount DIP Facility contained a representation that the London Property was valued at no less than $6.6 million.

48. Given the reduced Commitment Fee, and the fact that the other material terms are substantially similar to the Hillmount DIP Facility, the Monitor supports the replacement of the Hillmount DIP Facility with the Stabilis DIP Facility.

49. The Applicants have now agreed to terms with Stabilis and entered into the Stabilis DIP Facility Agreement on December 10, 2019, a copy of which is attached in **Appendix "C"**.

CONCLUSIONS AND RECOMMENDATIONS

50. For the reasons stated herein, the Monitor supports the relief sought by the Applicants and recommends that the Court grant the Amended and Restated Initial Order and the Non-Core Real Estate Order if the Court sees fit.

All of which is respectfully submitted this 11th day of December 2019.

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

APPENDIX "C"

STABILIS DIP FACILITY

STĀBILIS

SF V Bridge III, LP
767 Fifth Avenue, 12th Floor
New York, New York, 10153
212.256.8970 tel
212.256.8978 fax

Term Sheet

December 10, 2019

AgMedica Bioscience Inc.
111 Heritage Road, Suite 200
Chatham, ON N7M 5W7

Attention: Mr. Morrison

Dear Sirs:

RE: Term Credit Facility (the "DIP Facility")

We understand that AgMedica Bioscience Inc., 2472602 Ontario Inc., 2642466 Ontario Inc., 8895309 Canada Inc., Wellworth Health Corp., 8050678 Canada Inc., 8326851 Canada Inc., Tavivat Naturals Inc., World Wide Beverage Innovations Inc., Unique Beverages (USA) Inc. and Eseela Inc. (collectively, the "**Borrower**") obtained protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**") pursuant to an initial order dated as of December 2, 2019 (and subsequent amended and restated initial order dated as of December 12, 2019 (together, the "**Initial Order**") obtained from the Ontario Superior Court of Justice (Commercial List) (the "**Court**"), which, among other things, appoints Ernst & Young Inc. as the court-appointed monitor (in such capacity, the "**Monitor**").

In connection with the proceedings commenced by the Initial Order (the "**CCAA Proceedings**"), SF V Bridge III, LP, in its capacity as a lender (the "**Lender**"), wishes to extend a preliminary quote and pursue arranging a formal DIP Loan Agreement (as defined below) in accordance with the terms and conditions detailed below and subject to final approval. The terms and conditions are as follows:

LENDER:	SF V Bridge III, LP (the "**Lender**")
BORROWER(S):	AgMedica Bioscience Inc.
REAL PROPERTY:	1. 510 and 566 Riverview Drive, Chatham-Kent, ON 2. 650 Riverview Drive, Chatham-Kent, ON 3. 715 Richmond Street, Chatham-Kent, ON 4. 830 Richmond Street, Chatham-Kent, ON 5. 1095 Wilton Grove Road, London, ON (the "**London Property**") (collectively, the "**Real Property**" and the Real Property referred to in #2, #3 & #4, collectively, the "**Non-Essential Real Property**")
PRIORITY / SECURITY:	1. DIP Loan Agreement. 2. All supporting authorizations, certificates, acknowledgments and legal opinions as the Lender may reasonably require including, without limitation, satisfactory legal opinions of the Borrower's counsel relating to any business style registration or incorporation, organization and corporate powers of the Borrower and to the enforceability and priority of the security. 3. A super-priority court ordered charge pursuant to the SF DIP Order (as defined below) over the Real Property (as defined above) and the Borrower's present and future real and personal, tangible and intangible property and assets including equipment, accounts receivable and inventory in favour of the Lender in priority to all assignments, security interests, trusts, liens, mortgages, charges and encumbrances whatsoever, statutory or otherwise (the "**DIP Charge**") subject only to

	the super-priority court ordered Administration Charge pursuant to the Initial Order in the amount of $500,000. 4. Such other security, documentation or assurance, as may be required by the Lender or the Lender's solicitor.
LOAN AMOUNT:	Maximum principal amount of $7,500,000
FEES:	Lender Commitment Fee — 2.00% Lender Legal Fees, Disbursements and HST—To be determined by Lender's solicitor The Lender Commitment Fee shall be earned and payable on the date of the definitive agreement governing the financing transaction contemplated by this Term Sheet (the "**DIP Loan Agreement**").
ADVANCES:	Provided that (i) the Initial Order including the charges in favour of Hillmount Capital Inc. thereunder have been vacated and terminated and replaced with an order approving the financing transaction contemplated by this Term Sheet (the "**SF DIP Order**"); (ii) an Event of Default has not occurred; and (iii) demand for payment has not been made, the DIP Facility shall be available by one or, at the option of the Borrower, multiple advances each in the minimum amount of $1,000,000. The initial advance shall be provided promptly upon request by the Borrower and approved by the Monitor, and any subsequent advances shall be available on 3 business days prior written request to the Lender and approved by the Monitor. All advances shall be subject to and consistent with the Borrower's cash flow projections approved by the Monitor and reasonably acceptable to Lender. The proceeds of the first advance on the DIP Facility shall be advanced less the following: (a) Lender Fees (including Lender Commitment Fee and wiring fees) on the full loan amount; (b) Legal fees and disbursements plus HST thereon; (c) All reasonable costs, fees and expenses incurred by the Lender in connection with the negotiation and preparation of this Term Sheet; (d) Interest adjustment payment to the 1st of the month; and (e) Repayment of the amounts owed to Hillmount Capital Inc. under the Initial Order.
INTEREST RATE & PAYMENT:	Interest shall be compounded and calculated monthly at the rate of 9.50% per annum, not in advance. Interest shall be payable: (i) monthly, in arrears, on the 1st day of each month until the full amount outstanding hereunder on account of the DIP Facility has been paid in full; (ii) in accordance with the Repayment section below; and (iii) upon Maturity (as hereinafter defined).
REPAYMENT:	Any amounts received in repayment of obligations owing under the DIP Loan Agreement shall be paid and applied as follows: (i) firstly, towards outstanding interest and costs payable hereunder; (ii) secondly, towards outstanding Permitted Fees and Expenses (as hereinafter defined); and (iii) thirdly, towards outstanding principal hereunder.
PERMITTED FEES & EXPENSES:	Permitted Fees and Expenses includes: (a) All reasonable costs, fees and expenses incurred by the Lender in connection with the administration of the DIP Facility including any enforcement of the DIP Charge (all such fees and expenses shall be added to the DIP Facility and secured by the DIP Charge);

	(b) All reasonable and documented fees and expenses of counsel for the Borrower in connection with the DIP Facility and the CCAA Proceedings; and (c) The Administration Charge as defined in the Initial Order which charge shall not exceed $500,000.
LENDER'S SOLICITOR:	Alex MacFarlane - BLG Tel: 416.367.6305 Email: AMacfarlane@blg.com
TERMS OF LOAN & PREPAYMENT PRIVILEGE:	The DIP Facility matures on the earliest of ("Maturity"): (a) The date that is 9 months from the date of the DIP Loan Agreement or such later date as the Lender may agree in writing; (b) The completion of a sale or sales of all or substantially all of the Borrower's assets, property and undertaking, as approved by the Lender, the Monitor and, where required, the Court; (c) The implementation of a plan of compromise or arrangement within the CCAA Proceedings, which has been approved by the requisite majorities of the Borrower's creditors, by the Court, and by the Lender; (d) The date on which the SF DIP Order expires without being extended or on which the CCAA Proceedings are terminated or dismissed; and (e) The occurrence of an Event of Default. All amounts outstanding or payable under the DIP Loan Agreement (including principal and all unpaid accrued interest under the DIP Facility and all fees and other amounts required to be paid by the Borrower) shall be due and payable in full on Maturity. The DIP Facility can be permanently repaid in whole or in part at any time upon 15 days written notice to the Lender. Partial discharge provisions will be discussed and determined with the Borrower and the Monitor, as required, and based on the Borrower's cash flows and plan. Borrower shall immediately market and sell all Non-Essential Real Property and the London Property. The first $2 million of net sale proceeds (which shall equal to gross sale price less taxes, usual closing adjustments, legal expenses for conveyancing of the property and realty commissions commensurate with industry standards) ("Net Proceeds") from the sale of the Non-Essential Real Property shall be used or reserved to pay down the DIP Loan and the balance shall be used to pay secured lenders with valid mortgage security against the Non-Essential Real Property in order of priority. The first $2 million of Net Proceeds from the sale of the London Property shall be used or reserved to pay down the DIP Loan and the balance shall be used to pay secured lenders with valid mortgage security against the London Property in order of priority.
PURPOSE OF LOAN:	The Loan has been requested by the Borrower for: (i) ordinary course working capital and other general corporate purposes of the Borrower in accordance with, and subject to the limitations set forth in, the cash flow projections, the Initial Order, the SF DIP Order or any other order of the Court in the CCAA Proceedings; (ii) repayment of the amounts owed to Hillmount Capital Inc. under the Initial Order up to a maximum amount of $1,000,000 (or such amount as may be approved by the Lender) and (iii) to pay transaction costs, fees and expenses incurred in connection with the DIP Facility, the CCAA Proceedings and the transactions contemplated thereunder.

DEFAULT:

The following events shall constitute events of default (each an "**Event of Default**"):

(a) If the Borrower fails to pay to the Lender when due any amount of principal, interest or other amounts under the DIP Facility, this Term Sheet or otherwise, whether by acceleration or otherwise;

(b) If the Borrower defaults, in the observance or performance of any other non-financial term, covenant or condition in this Term Sheet or any other agreement between the Lender and the Borrower entered into on or after the date of the DIP Loan Agreement;

(c) If the Lender determines, in its sole discretion, acting reasonably, that a material adverse change has occurred after the date hereof in respect of the business, affairs or financial condition of the Borrower;

(d) If the Borrower fails to pay wages to the Borrower's employees or to remit source deductions as they become due from time to time but only with respect to those priority payments which rank ahead of the Lender;

(e) If the Borrower fails to remit provincial sales taxes or goods and services taxes as they become due from time to time but only with respect to those priority payments which rank ahead of the Lender;

(f) If (i) the Initial Order or the SF DIP Order is varied without the consent of the Lender or any other order is made which is or may be prejudicial to the Lender's interests, acting reasonably; (ii) the SF DIP Order is appealed or leave to appeal is granted; (iii) the stay of proceedings contained in the Initial Order or the SF DIP Order is terminated or lifted; or (iv) Borrower defaults or breaches the SF DIP Order and/or the Initial Order;

(g) If a receiver is appointed over any property of the Borrower or any judgment or order or process of any court becomes enforceable against the Borrower or any property of the Borrower or any creditor takes possession of any property of the Borrower;

(h) If the Borrower ceases to carry on business; and

(i) If the Borrower becomes a bankrupt under the Bankruptcy and Insolvency Act.

REMEDIES:

Upon the occurrence of an Event of Default, the Lender may immediately terminate the DIP Facility and:

(a) All amounts outstanding under the DIP Facility and this Term Sheet shall, at the option of the Lender, immediately become due and payable; and

(b) Upon seeking an order of the Court on 10 days prior notice, enforce, without further notice, demand or delay all of its rights and remedies against the Borrower and its property, assets and undertaking including without limitation, by way of appointment of a receiver.

ADDITIONAL CONDITIONS AND REPRESENTATIONS:

The DIP Loan Agreement will be closed as soon as possible and after (a) receipt of all requested documentation as will be indicated in the DIP Loan Agreement; and (b) the terms and conditions of the DIP Loan Agreement are fulfilled, including (but not limited to) the following:

1. The Borrower obtaining a termination of the Initial Order on terms acceptable to the Lender, and replacing it with the SF DIP Order, including:
    a. authorizing the Borrower to enter into and authorizing the Borrower and the Monitor to perform their obligations under this Term Sheet and a DIP Loan Agreement;
    b. authorizing the Lender to effect such registrations, filings and recordings that it deems appropriate, in its sole discretion, regarding the security granted to the Lender under the DIP Charge;
    c. granting the Lender a super-priority court ordered charge over all of the present and future real and personal, tangible and intangible property and assets of the Borrower which is only subordinate to the Administration Charge other than with respect to the Non-Essential Real Property which shall be subject to a second priority court ordered charge junior only to the current charge of the Lender;
    d. granting the Lender the right, upon the occurrence of an Event of Default (as defined above) and pursuant to the SF DIP Order, to enforce the rights and remedies available to it under the security documentation and pursuant to the law;
    e. prohibiting any further borrowing by the Borrower, without the prior written consent of the Lender;
    f. prohibiting the granting of any additional liens, charges, security interests or any other encumbrances upon the Real Property or assets of the Borrower;
    g. requiring the Borrower to provide the Lender such reports, schedules and cash flows as is currently being provide to the Monitor; and
    h. declaring the Order, and the DIP Charge granted thereunder, binding upon a trustee in bankruptcy of the Borrower, receiver, receiver-manager or other officer of the Court.
2. Please see Schedule “A” for additional terms of the DIP Loan Agreement which are not necessarily preconditions to the closing.
3. It is hereby agreed by and between the Lender and the Borrower that any monies tendered in respect of the DIP Facility payments or other payments due shall be paid by 1 p.m. on the business day upon which they are due. If received after that time (i.e. for computing interest), the monies will be deemed to be received the next business day.

POST-CLOSING CONDITION:

1. Satisfactory review of the Phase 1 environmental reports and / or Phase 2 environmental reports on 566 Riverview Drive and 650 Riverview Drive by a Lender approved environmental consultant. The environmental reviews are to be addressed to the Lender indicating a non-contaminated site. Borrower will be responsible for consultant fees. Should the Phase 2 indicate any contamination, the report should include the cost to remedy.

SCHEDULES ATTACHED: The following attached schedule(s) form a part of this Term Sheet: Schedule A — Conditions

STĀBILIS

In order to proceed, kindly indicate your acceptance of the above terms and conditions by signing below and returning this Term Sheet to the Lender by **11:59 a.m. New York time** on **December 10, 2019**. **Please note that this Term Sheet does not constitute a DIP Loan Agreement but is rather an expression of interest.**

Yours truly,

SF V Bridge III, LP

By: ______________________________
Name: Dave Ray
Its: Authorized Signatory

ACCEPTANCE OF TERM SHEET BY BORROWER

The Borrower hereby consents to the Lender obtaining credit and/or personal information on the Borrower from any source and each source is hereby authorized to provide such information to the Lender.

I / We accept this Term Sheet. The Lender will issue a DIP Loan Agreement substantially in accordance with the terms and conditions outlined in this Term Sheet.

Accepted this ___ day of __________________ 2019.

Borrowers

____
Name: AgMedica Bioscience Inc.
A.S.O.
I have authority *to bind the corporation.*

____
Name: Wellworth Health Corp
A.S.O.
I have authority to bind the corporation.

____
Name: 2472602 Ontario Inc.
A.S.O.
I have authority *to bind the corporation.*

____
8050678 Canada Inc.
A.S.O.
I have authority to bind the corporation.

____
Name: 2642466 Ontario Inc.
A.S.O.
I have authority *to bind the corporation.*

____
Name: 8326851 Canada Inc.
A.S.O.
I have authority to bind the corporation.

____
Name: 8895309 Canada Inc.
A.S.O.
I have authority *to bind the corporation.*

____
Name: Tavivat Naturals Inc.
A.S.O.
I have authority to bind the corporation.

____
Name: World Wide Beverage Innovations Inc.
A.S.O.
I have authority *to bind the corporation.*

____
Name: Unique Beverages (USA) Inc.
A.S.O.
I have authority to bind the corporation.

____
Name: Eseela Inc.
A.S.O.
I have authority *to bind the corporation.*

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SCHEDULE A — CONDITIONS

ACCRUED AND EARNED INTEREST	Accrued interest calculated from the date that this DIP Facility is advanced to the Interest Adjustment Date will be deducted from the initial gross funds advanced. The Interest Adjustment Date is set at the Lender's option. The Borrower shall not be entitled to receive interest, if any, on any funds held In trust by the Lender. Any interest earned shall accrue to the Lender.
REGULATIONS	The Real Property must comply with all municipal, provincial and federal statues, regulations and requirements.
ASSIGNMENT BY LENDER	The Lender shall have the right to assign all or part of the of the DIP Facility in an amount to be determined by the Lender in consultation with the Monitor and subject to terms satisfactory to the Lender.
TITLE INSURANCE	At the Lender's sole option, the Borrower may be required to provide title insurance for the Real Property. The cost of the title insurance shall be at the Borrower's expense.
ADDITIONAL PROVISIONS	Our current and standard administration and servicing fees.

APPENDIX "C"
SIXTH REPORT

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")**

SIXTH REPORT OF THE MONITOR DATED MARCH 5, 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 (the "**Amended and Restated Initial 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**"), one of the Applicants' existing 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 ("**CBRE**") 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.

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

   a. an order (the "**DIP Facility Loan Agreement Approval Order**") approving the definitive DIP loan agreement between the Applicants and Stabilis dated as of December 20, 2019 (the "**DIP Facility Loan Agreement**"); and

   b. an order (the "**SISP Order**") approving the Applicants' sale and investment solicitation process (the "**SISP**").

5. On February 4, 2020, the Court granted an order approving the claims process (the "**Claims Process**") proposed by the Applicants (the "**Claims Procedure Order**").

6. On February 21, 2020, the Court granted:

   a. an approval and vesting order with respect to the sale of one of the Non-Core Real Estate properties, 650 Riverview Drive, Chatham, Ontario ("**650 Riverview**"); and

   b. a distribution order authorizing and directing the Applicants to make certain distributions of the proceeds from the sale of 650 Riverview to Stabilis on account of the DIP Facility and its previous secured loan to certain of the Applicants.

PURPOSE

7. The purpose of this sixth report of the Monitor (the "**Sixth Report**") is to provide information to the Court on:

   a. the activities of the Applicants and the Monitor since the first report of the Monitor dated December 11, 2019 (the "**First Report**");

b. the proposed agreement of purchase and sale (the "**Sale Agreement**") between Dancor Lands Corporation in Trust, as buyer, and 2472602 Ontario Inc. ("**2472602**"), as seller, for the property with municipal address 1095 Wilton Grove Road, London, Ontario and PIN 08203-0125 (LT) (the "**London Property**");

c. the proposed distributions of proceeds from the sale transaction contemplated by the Sale Agreement (the "**London Transaction**") to (i) Stabilis on account of the DIP Facility, (ii) Stone Quest Capital Corp. ("**Stone Quest**") on account of a previous secured loan to 2472602, and (iii) Kathleen Glynn Philipp ("**Philipp**") on account of a previous secured loan to AgMedica that was guaranteed by 2472602 (collectively, the "**Proposed Distributions**");

d. the proposed key employee retention plan (the "**KERP**");

e. the actual receipts and disbursements of the Applicants from December 2, 2019 to February 21, 2020 as well as the Applicants' revised cash flow forecast for the period of February 24, 2020 to June 30, 2020;

f. the fees and disbursements of the Monitor and its legal counsel for the period from November 30, 2019 to January 31, 2020; and

g. the Monitor's recommendation with respect to the Applicants' motion for:

   i. an order (the "**Approval and Vesting Order**") approving the London Transaction and the execution of the Sale Agreement by 2472602 and vesting the London Property in Dancor Lands Corporation in Trust free and clear of encumbrances,

   ii. an order (the "**Distribution Order**") approving the Proposed Distributions,

   iii. an order (the "**Stay Extension and KERP Order**") extending the Stay Period to June 30, 2020, approving the proposed KERP and approving the fees and disbursements of the Monitor and its legal counsel for the period from November 30, 2019 to January 31, 2020.

TERMS OF REFERENCE

8. In preparing this Sixth 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 First 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 Sixth 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.

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

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

BACKGROUND

11. The principal operating entity among the Applicants is AgMedica Bioscience Inc. ("**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.

12. 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).

13. 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.

14. 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**").

STATUS UPDATE OF CCAA PROCEEDINGS

Restructuring efforts of the Applicants

15. The stated purpose of the Applicants in commencing these CCAA proceedings was to maintain the status quo and obtain the breathing room required to pursue and implement their restructuring strategy. This strategy included the Applicants (i) restructuring their balance sheet, (ii) restructuring their operations by focusing on expanding production capacity and reducing input costs at their current sole production facility located at 566 Riverview Drive, Chatham, Ontario, (iii) selling the Non-Core Real Estate to generate liquidity and deleverage the business, and (iv) conducting the SISP to identify and pursue opportunities to sell, or obtain investments in, the business of the Applicants.

16. Subsequent to being granted the Amended and Restated Initial Order, the Applicants continued these restructuring efforts by:

a. disclaiming leases of non-essential office space and contracts relating to these leased premises;

b. disclaiming non-essential service and supply agreements and other contractual agreements no longer required;

c. reducing headcount and streamlining processes to reduce operating expenditures;

d. permanently shutting down business related to Wellworth Health;

e. as detailed further below, pursuing the sale of the Non-Core Real Estate;

f. pursuing the sale of other surplus assets, including the sale of certain surplus lights which was approved by the Court on January 27, 2020;

g. as detailed further below, conducting the SISP; and

h. as detailed further below, conducting the Claims Process.

Sales process of Non-Core Real Estate

17. Since being granted authorization under the Non-Core Real Estate Order, the Applicants have:

a. assisted CBRE in marketing and tours of the Non-Core Real Estate with prospective buyers;

b. negotiated price and terms on potential offers to purchase; and

c. assisted, as needed, in meeting conditions and closing requirements of the agreements of purchase and sale entered into by the Applicants in respect of each of 650 Riverview and the London Property.

18. Of the four Non-Core Real Estate properties:

a. the sale of 650 Riverview was approved by the Court on February 21, 2020 and closed on March 3, 2020;

b. 2472602 has entered into the Sale Agreement for the sale of the London Property; and

c. the other two properties (715 Richmond Street, Chatham, Ontario and 830 Richmond Street, Chatham, Ontario, which are both owned by 2472602) are listed for sale and being actively marketed by CBRE.

Sale and Investment Solicitation Process

19. Pursuant to the SISP Order, the Applicants commenced and have been carrying out the SISP which to this point has involved, among other things:

a. the Monitor publishing notice of the SISP in the Globe and Mail (National Edition);

b. the Applicants issuing a press release with Canada Newswire regarding the SISP;

c. the Applicants issuing the teaser letter and form of non-disclosure agreement (the "**NDA**") to all known potential bidders and those who were identified to the Applicants or the Monitor as a potential bidder, which occurred by January 24, 2020 as contemplated in the SISP;

d. the Monitor posting notice of the SISP, the press release regarding the SISP, the SISP Order and the teaser letter on the Monitor's Website;

e. reviewing and assessing executed NDAs from potential bidders;

f. establishing a data room for potential bidders (the "**Data Room**");

g. providing a confidential information memorandum and access to the Data Room to those bidders that have been deemed Phase 1 Qualified Bidders (as defined in the SISP Order); and

h. facilitating management discussion and presentations requested by Phase 1 Qualified Bidders.

20. The deadline for Phase 1 Qualified Bidders to submit non-binding letters of interest (each an "**LOI**") is March 20, 2020 (the "**Phase 1 Bid Deadline**"). The major steps to be carried

out by the Applicants and the Monitor after the Phase 1 Bid Deadline and during the proposed stay extension period include, among others:

a. The Applicants, in consultation with the Monitor and the DIP Lender, will assess the LOIs and determine whether (i) they meet the requirements to be considered a Qualified LOI (as defined in the SISP Order), (ii) the Phase 1 Qualified Bidder has a *bona fide* interest in completing a Sale Proposal or Investment Proposal (as defined in the SISP Order), and (iii) the Phase 1 Qualified Bidder has the financial capability to consummate such a transaction. If so, the bidder will be deemed a Phase 2 Qualified Bidder.

b. The Applicants, in consultation with the DIP Lender and the Monitor, and with the approval of the Monitor, will then determine the process and timing to be followed in pursuing the Qualified LOIs from the Phase 2 Qualified Bidders and issue the Bid Process Letter (as defined in the SISP Order) as soon as practically possible after the Phase 1 Bid Deadline.

c. The deadline for Phase 2 Qualified Bidders to submit an irrevocable binding offer (each a "**Phase 2 Bid**") to purchase or make an investment in the Applicants or their Property or Business is April 17, 2020 (the "**Phase 2 Bid Deadline**").

d. The Applicants, in consultation with the Monitor and the DIP Lender, will assess the Phase 2 Bids and determine whether they meet the requirements to be Qualified Bids.

e. Within ten (10) business days of the Phase 2 Bid Deadline, the Monitor will notify each Phase 2 Qualified Bidder that submitted a Phase 2 Bid whether its Phase 2 Bid constituted a Qualified Bid.

f. The Applicants, in consultation with the DIP Lender and the Monitor, will review the Qualified Bids and select the Successful Bids (as defined in the SISP Order), if any.

g. The Applicants will then seek approval from the Court to consummate any Successful Bids.

Claims Process

21. Pursuant to the Claims Procedure Order, the Applicants and the Monitor commenced and have been carrying out the Claims Process, which to this point has involved, among other things:

a. the Monitor sending a Claims Package to Known Claimants and the addresses as listed on the service list maintained in these proceedings on February 11, 2020;

b. the Monitor publishing the Notice to Claimants in the Globe and Mail (National Edition) and the Chatham Daily News on February 7, 2020;

c. the Applicants issuing a press release with Canada Newswire regarding the Claims Process;

d. the Monitor posting the Claims Package and the Claims Procedure Order on the Monitor's Website; and

e. the Monitor sending Claims Packages to those that have requested one to date and counterparties to any contracts, agreements and obligations that may give rise to a post-filing claim.

22. Pursuant to the Claims Procedure Order, the Claims Bar Date is March 16, 2020.

23. As noted in the Affidavit of Trevor Henry sworn March 4, 2020 (the "**Henry Affidavit**"), the Monitor has received approximately 30 Claims in the amount of approximately $1.2 million as of that date. The Monitor anticipates that many more claims will be filed prior to the Claims Bar Date and will report to the Court regarding the Claims filed in a subsequent report.

MONITOR'S ACTIVITIES SINCE THE FIRST REPORT

24. In addition to the activities mentioned above, the Monitor has:

a. continued to monitor the cash receipts and disbursements of the Applicants;

b. assisted the Applicants with creditor relationships to maintain supply;

c. overseen the SISP, which has included:

   i. assisting the Applicants in developing their confidential information memorandum, setting up and maintaining the Data Room and managing access to the Data Room; and

   ii. following up on potential bidders and engaging in discussions regarding the SISP process;

d. assisted the Applicants and CBRE with the negotiations of sales transactions for the Non-Core Real Estate and other surplus assets; and

e. monitored the Claims Process and commenced the adjudication of Claims with the Applicants.

PROPOSED APPROVAL AND VESTING ORDER

Background

25. The London Property is a commercial building that was purchased by 2472602, a subsidiary of AgMedica and an Applicant in these proceedings, in November 2018 for $6.1 million from a third party through the use of a commercial real estate agent. The London Property was purchased in anticipation of converting the space into a production facility for cannabis products when additional expansion was feasible.

26. At the time of purchase by 2472602, the London Property was fully vacant. Since then, the premises has remained vacant and no additions, renovations or improvements have been made to the building. It has never been occupied by any of the Applicants for their own business purposes.

27. As noted above, the current operational restructuring strategy of the Applicants is to focus their efforts on expanding production capacity and reducing input costs at their current sole production facility located at 566 Riverview Drive, Chatham, Ontario. There are no current

plans to carry out any production at the London Property or use it for any other business purposes of the Applicants. Accordingly, the London Property is a non-core and non-essential asset of the Applicants.

28. The Applicants engaged CBRE pursuant to the Non-Core Real Estate Order to begin marketing and listing the Non-Core Real Estate, including the London Property, on the open market.

Sales and Marketing Process

29. As outlined in the marketing report of CBRE dated March 3, 2020 ("**Marketing Report**"), CBRE listed the property on November 8, 2019 on the London St. Thomas Real Estate Board, which is the regional real estate board for the London Property, for $8,900,000. CBRE placed signage on the property, created marketing materials and initiated an email marketing campaign. According to the Marketing Report, a marketing email was sent to 455 targeted industrial users through Southwestern Ontario and 420 co-operating commercial brokers across Southwestern Ontario. A copy of the Marketing Report is attached as Appendix "**A**" to this Sixth Report.

30. As outlined in the Henry Affidavit and the Marketing Report, six potential purchasers viewed the London Property with CBRE and the buyer under the Sale Agreement submitted the highest and best offer to purchase the London Property.

Sale Agreement

31. The Sale Agreement is based on a standard form template created by the Ontario Real Estate Association for commercial properties. The buyer, Dancor Lands Corporation in Trust, is unrelated to the Applicants. The following is an outline of the material terms of the Sale Agreement, a redacted copy of which is attached as Exhibit "B" to the Henry Affidavit:

   a. the London Property is being purchased on an 'as is' basis;

   b. 2472602 was required to meet certain conditions within 60 days following the acceptance of the offer; and

c. the offer was conditional on the following matters for the benefit of 2472602 (i) approval of the agreement from the Monitor within five business days after acceptance of the offer, and (ii) an approval and vesting order being issued by the Court, within 30 days of the conditions referred to in (b) above being satisfied or waived.

32. As noted in the Henry Affidavit, the Applicants anticipate that the buyer will waive any remaining conditions on March 7, 2020. The Monitor will provide an update to the Court at the hearing of the motion for the Approval and Vesting Order regarding whether the buyer has in fact waived these conditions.

33. If approved by the Court, the closing date for the Transaction will be no later than May 29, 2020.

34. The Monitor has reviewed the Sale Agreement and believes that the terms and price are reasonable as:

a. the sales and marketing efforts of CBRE were reasonable in reaching potential purchasers of property of this size, location and usefulness;

b. the purchase price is reasonable relative to the original purchase price and appraised value of the London Property; and

c. other than the conditions for Monitor and Court approval, there are no conditions that are required by 2472602 or the buyer that would cause the Sale Agreement to not be completed as proposed (subject to the buyer confirming the waiver of conditions in advance of the hearing for the Approval and Vesting Order, as noted above).

35. The purchase price has been redacted from the Sale Agreement attached as Exhibit "B" to the Henry Affidavit. An unredacted version of the Sale Agreement is attached as Confidential Exhibit "C" to the Henry Affidavit. The Applicants have requested in the proposed Approval and Vesting Order that it be sealed. The Monitor agrees that the purchase price is commercially sensitive information the disclosure of which could adversely affect the Applicants if the Transaction is not completed and the Applicants are

required to re-market the property. The unredacted copy of the Sale Agreement will be unsealed upon the closing of the Transaction. The breadth and duration of the sealing order are narrowly tailored. The Monitor supports the request by the Applicants for a sealing order in the circumstances.

36. For the reasons stated above, the Monitor approves and consents to the Sale Agreement. For the same reasons, the Monitor recommends that the Court grant the proposed Approval and Vesting Order, if the Court sees fit.

PROPOSED DISTRIBUTION ORDER

Proposed Distribution

37. The proposed Distribution Order contemplates that the net proceeds from the London Transaction will be distributed as follows:

a. $2 million to Stabilis as partial satisfaction of amounts due and owing under the DIP Facility;

b. Approximately $4 million to Stone Quest Capital Corp. ("**Stone Quest**") in full satisfaction of amounts due and owing under the loan advanced by Stone Quest pursuant to a commitment letter dated April 26, 2019 between 2472602, AgMedica and Stone Quest (the "**Stone Quest Loan Agreement**"); and

c. The remainder of the net proceeds from the Transaction to Kathleen Glynn Philipp in partial satisfaction of amounts due and owing under the loan agreement dated October 23, 2019 between 2472602, AgMedica and Philipp (the "**Philipp Loan Agreement**").

38. Pursuant to section 18(b) of the DIP Facility Loan Agreement, the Applicants are required to apply net proceeds from the sale of the London Property as follows:

a. the first $2 million to repay the DIP Facility;

b. the balance to repay the creditors having valid security on the London Property in order of the priority of their security; and

c. after such creditors have been paid in full, to repay the DIP Facility.

39. A copy of the DIP Facility Loan Agreement is attached as Appendix "**B**" to this Sixth Report.

DIP Lender's Charge

40. The Amended and Restated Initial Order created the DIP Lender's Charge to the maximum principal amount of $7.5 million against the property of the Applicants including the real property identified in Schedule "A" to the Initial Order. The London Property is identified on Schedule "A" to the Amended and Restated Initial Order. A copy of the Amended and Restated Initial Order is attached as Appendix "**C**" to this Sixth Report.

41. The amount outstanding under the DIP Facility was $4,895,841 as of February 28, 2020.

Stone Quest Security

42. Pursuant to the Stone Quest Loan Agreement, 2472602 granted a mortgage and charge on the London Property to secure amounts owing under the Stone Quest Loan Agreement which was registered against title as Instrument No. ER1233648 on May 13, 2019 (the "**Stone Quest Security**").

43. As per the Applicants' books and records, the amount outstanding under the Stone Quest Loan Agreement was CAD $4,000,000 as of February 28, 2020. This amount bears interest at 18% per annum. The Applicants have continued to pay this interest monthly in arrears during the course of these proceedings.

Philipp Security

44. Pursuant to the Philipp Loan Agreement, 2472602 granted a mortgage and charge on the London Property to secure amounts owing under the Philipp Loan Agreement which was registered against title as Instrument No. ER1267821 on October 30, 2019 (the "**Philipp Security**").

45. The Philipp Loan Agreement recognizes that the Philipp Security is a second collateral mortgage on the London Property and ranks behind the interest of Stone Quest to proceeds from the sale of such property.

46. As per the Applicants' books and records, the amount outstanding under the Philipp Loan Agreement was USD $3,816,000 as of February 28, 2020. This amount bears interest at 24% per annum. The Applicants have continued to pay this interest monthly in arrears during the course of these proceedings.

Security Opinion

47. In light of the proposed distribution to Stone Quest on account of the Stone Quest Security and the proposed distribution to Philipp on account of the Philipp Security, the Monitor instructed its independent legal counsel, McCarthy Tétrault LLP ("**McCarthy**"), to provide it with an opinion with respect to the validity and enforceability of the Stone Quest Security and the Philipp Security in Ontario (the "**Security Opinion**"). McCarthy has confirmed to the Monitor that, subject to customary opinion assumptions and qualifications which are set out in the Security Opinion:

   a. The Stone Quest Security is a valid and legally binding obligation of 2472602 enforceable against 2472602 in accordance with its terms;

   b. The Stone Quest Security creates a valid mortgage and charge in the real property described therein in which 2472602 has rights, including the London Property, to secure the payment and performance of the obligations described therein as being secured by such security interest;

   c. The Stone Quest Security has been registered against the London Property;

   d. The Philipp Security is a valid and legally binding obligation of 2472602 enforceable against 2472602 in accordance with its terms;

   e. The Philipp Security creates a valid mortgage and charge in the real property described therein in which 2472602 has rights, including the London Property, to secure the payment and performance of the obligations described therein as being secured by such security interest; and

f. The Philipp Security has been registered against the London Property in the amount of CAD $2.2 million.

Priority Claims

48. In relation to the Proposed Distributions, the Monitor has considered the following types of claims and potential claims that, in certain circumstances, rank or could rank in priority to the Stone Quest Security and/or the Philipp Security or that, in some cases, are required by section 36(7) of the CCAA to be paid or otherwise get paid out of estate funds prior to distributions to secured creditors:

a. claims of other parties with mortgages or charges against the London Property;

b. statutory priority claims for source deductions, municipal taxes, withholding taxes, pension plan contributions, employee wages and employee vacation pay entitlements;

c. post-filing amounts; and

d. claims secured by court-ordered charges created by the Initial Order.

49. <u>Other Charges</u>: As outlined in the parcel register for the London Property attached as Appendix "**D**" to this Sixth Report, the only charges registered against the London Property are as follows:

Reg. Date	**Instrument No.**	**Chargee**	**Charge**
2019-05-13	ER1233648	STONE QUEST CAPITAL CORP.	CAD $4,000,000
2019-10-30	ER1267821	PHILIPP, KATHLEEN GLYNN	CAD $2,200,000
2019-12-05	ER1275907	HILLMOUNT CAPITAL INC. [Initial DIP Facility]	

2019-12-18	ER1278541	STABILIS GP V, LLC [DIP Facility]	

50. The charge on the London Property registered in favour of Hillmount Capital Inc. ("**Hillmount**") was with respect to the DIP financing that was provided by Hillmount at the outset of these proceedings. Stabilis subsequently replaced Hillmount as the DIP lender and all amounts owing to Hillmount were paid out. Accordingly, the only charges registered against the London Property for which there are amounts owing are in favour of Stone Quest with respect to the Stone Quest Security, Philipp with respect to the Philipp Security, and Stabilis with respect to the DIP Lender's Charge.

51. <u>Statutory Priority Claims</u>: As authorized in the Amended and Restated Initial Order, as far as the Monitor is aware the Applicants have paid, or intend to pay, all source deductions and municipal taxes and all outstanding and future wages and vacation pay whether incurred prior to, on or after the date of the Order. The Monitor understands from the Applicants that they do not sponsor, administer, or otherwise have any registered or unregistered pension plan for employees. Accordingly, the Monitor is not aware of any potential statutory prior claims that would have priority against the Stone Quest Security and/or the Philipp Security.

52. <u>Post-Filing Amounts</u>: As authorized in the Amended and Restated Initial Order, as far as the Monitor is aware the Applicants have paid, or intend to pay, all post-filing amounts and, in any event, the Monitor is not aware of any potential post-filing claims that would have priority against the Stone Quest Security and/or the Philipp Security.

53. <u>Charges</u>: Each of the parties that benefit from the Administration Charge, the DIP Lender's Charge and the Director's Charge are aware of the Proposed Distributions and have not expressed any objection to them.

54. Accordingly, the Monitor supports the Proposed Distributions as:

a. Stabilis has a valid and enforceable security over the London Property for amounts owing under the DIP Facility pursuant to the DIP Lender's Charge granted in the Amended and Restated Initial Order;

b. Stone Quest has a valid and enforceable security over the London Property for amounts owing under the Stone Quest Loan Agreement pursuant to the Stone Quest Security;

c. Philipp has a valid and enforceable security over the London Property for amounts owing under the Philipp Loan Agreement pursuant to the Philipp Security;

d. The amounts of the contemplated distributions are in accordance with section 18(b) of the DIP Facility Loan Agreement, which was approved by this Court in the DIP Facility Loan Agreement Approval Order;

e. The principal amount outstanding under the DIP Facility exceeds the distribution on account of the DIP Facility contemplated by the proposed Distribution Order;

f. The principal amount outstanding under the Stone Quest Loan Agreement is equal to the distribution contemplated by the proposed Distribution Order;

g. The principal amount outstanding under the Philipp Loan Agreement exceeds the distribution on account of the Philipp Loan Agreement contemplated by the proposed Distribution Order; and

h. The Proposed Distributions will pay all amounts owing under the Stone Quest Loan Agreement in full, and reduce the amounts owing under the Philipp Loan Agreement, which currently bear interest at 18% and 24% per annum, respectively, and are continuing to be paid by the Applicants.

PROPOSED KEY EMPLOYEE RETENTION PLAN

55. The Applicants are requesting approval of a proposed KERP to obtain commitment and retention of certain key employees that they believe are essential to executing a successful restructuring of the Applicants, carrying out the SISP and completing a plan of arrangement.

Significant Terms

56. Under the terms of the KERP, the Applicants propose to pay retention bonuses which will not exceed $200,000 in aggregate to specific individuals employed by AgMedica (collectively, the "**Participants**") upon the completion of a "Transaction" which is defined in the KERP as including a transaction or series of transactions consummated through the SISP. The major terms and conditions of the proposed KERP include:

a. a retention payment comprised of a fixed lump sum (the "**Retention Payment**") as set out in the individual KERP agreements entered into between AgMedica and the Participants;

b. a Participant is not entitled to receive the Retention Payment (as defined in the KERP) if the Participant, among other things, (i) does not meet performance expectations, or (ii) voluntarily resigns, retires or involuntarily separate for any reason, other than total disability, death or termination without cause; and

c. the KERP is subject to the approval of this Court.

Rationale

57. The total aggregate amount of $200,000 is based on approximately 1.6 months' salary, or approximately 13%. The Applicants view this to be a fair and reasonable bonus to maintain the commitment and retention of these key employees.

58. The charge that is being requested (the "**KERP Charge**") ranks behind the Charges and immediately after the existing secured lenders (Stabilis, Stone Quest and Philipp). The proposed KERP Charge will not exceed $200,000, the amount payable to the Participants under the KERP.

59. The retention of the Participants and their commitment to the Applicants are essential to the current operations and the successful restructuring of the Applicants. The successful restructuring of the Applicants is expected to maximize value for their stakeholders. In particular, the Applicants believe:

a. During the CCAA proceedings to date, the leadership of the Participants has allowed the Applicants to minimize disruptions of the supply of goods and services, scheduled production and customer deliveries;

b. the Participants are core to the continued effort to restructuring and streamline operations towards improving operational and financial performance;

c. certain Participants directly affect production, which ties to the quality and reputation of the Applicant's product;

d. the Participants could not be readily or easily replaced as the process to find appropriately qualified replacements for the Participants from outside AgMedica would be lengthy, difficult and costly; and

e. any replacements for the Participants would face a steep learning curve given the nascency of the industry, may require additional security clearance screening by Health Canada and would be challenged to develop a thorough understanding of the Applicants' business within the time required to successfully move the restructuring forward.

60. None of the Participants are founders of the Applicants, or members of the board of directors of the Applicants.

61. The Applicants believe the KERP will provide the necessary incentive to the Participants to remain as committed key members of the Applicants' senior management and support team during the restructuring proceedings.

62. In addition, the Applicants have indicated that some of the Participants have been approached by outside parties regarding employment opportunities with other companies that are currently operating in more stable financial circumstances.

63. A redacted copy of the KERP is attached as Exhibit "D" to the Henry Affidavit. An unredacted version is attached as Confidential Exhibit "E" to the Henry Affidavit. The Applicants have requested in the Stay Extension and KERP Order that the unredacted version be sealed. The KERP contains confidential and sensitive information regarding the

employment contract and compensation of the Participants. The Monitor agrees that this is commercially sensitive and personal information the disclosure of which could adversely affect the Applicants and the Participants. The unredacted copy of the KERP will remain sealed unless further ordered by the Court. The Monitor supports the request by the Applicants for a sealing order in the circumstances.

APPLICANTS' RECEIPTS AND DISBURSEMENTS

64. A summary of the Applicants' actual receipts and disbursements during the period from December 7 to February 21, 2020 (the "**Reporting Period**") as compared to the cash flow forecast set out in Appendix "A" to the First Report (the "**Variance Analysis**") is attached as **Appendix "D"** to this Sixth Report.

65. During the Reporting Period, the Applicants' operations generated a net cash outflow of $4,485,389, which included disbursements of $737,624 related to debt service payments in aggregate to pre-filing secured debtholders.

66. During the Reporting Period, the Applicants drew DIP loan advances of $4,303,499 of which $510,000 was permanently repaid from the sale of surplus lights, therefore net DIP loan advances were $3,793,499. This includes the $1,000,000 plus expenses used to repay the DIP facility originally lent by Hillmount upon filing.

OVERVIEW OF APPLICANTS' NINETEEN WEEK CASH FLOW PROJECTION

67. The Applicants, with the assistance of the Monitor, have prepared a cash flow forecast from February 22, 2020 to the week ending July 3, 2020 (the "**Forecast Period**"). The Cash Flow Forecast attached as **Appendix "E"** to this Sixth Report is also attached as Exhibit "A" to the Henry Affidavit.

68. The Cash Flow Forecast indicates that during the Forecast Period, the Applicants estimate total combined receipts of $22.1 million and estimate total combined disbursements of $20.3 million. The Cash Flow Forecast projects that the Applicants will require a total draw of an additional $2,182,342 from the Stabilis DIP Facility to support their operations during the Forecast Period.

69. During the Forecast Period, the Applicants have forecast the distribution of the net proceeds from the sales of 650 Riverview and the London Property to repay the DIP Facility and the secured lenders pursuant to the Distribution Order granted February 21, 2020 and the proposed Distribution Order.

70. As a result of the sale of 650 Riverview and the proposed London Transaction, the net proceeds will result in a total repayment of the DIP Facility of $4.0 million and the net balance of the DIP Facility at the end of the Forecast Period is forecast to be $1,975,841 with an additional undrawn availability of $1,014,159.

STAY EXTENSION

71. The Stay Period is currently set to expire on March 12, 2020. The Applicants are requesting an extension of the Stay Period until June 30, 2020.

72. The Monitor is of the view that the requested extension of the Stay Period is appropriate as it will enable the Applicants to:

   a. continue their operational restructuring strategy;

   b. continue efforts to market and sell the Non-Core Real Estate;

   c. conclude the SISP and potentially bring forth a proposed transaction for approval by the Court;

   d. complete the Claims Process; and

   e. work towards the development and implementation of a potential plan of compromise or arrangement.

73. The Monitor is satisfied that the Applicants continue to operate in good faith and with due diligence since the date of the Amended and Restated Initial Order.

74. Based on the Cash Flow Forecast, the Monitor believes that the Applicants will have sufficient liquidity to fund their operations until June 30, 2020.

75. For the foregoing reasons, the Monitor supports the Applicants' request for an Order extending the Stay Period to June 30, 2020.

MONITOR AND COUNSEL FEES & DISBURSEMENTS

76. Pursuant to paragraph 25 of the Amended and Restated Initial Order, the Monitor and its legal counsel have been paid their fees and disbursements by the Applicants throughout the CCAA proceedings. Paragraph 26 of the Initial Order requires that the Monitor and its counsel pass their accounts from time to time.

77. The Monitor respectfully seeks the approval of its fees and disbursements and the fees and disbursements of its counsel for the period from November 30, 2019 to January 31, 2020 (the "**Fee Period**").

78. The total fees and disbursements (exclusive of HST) of the Monitor during the Fee Period are detailed in the affidavit of Alex Morrison sworn March 4, 2020 attached hereto as **Appendix "F"**. The Monitor incurred fees (excluding disbursements and HST) during the Fee Period totalling $508,616.00.

79. The total fees and disbursements (exclusive of HST) of the Monitor's counsel during the Fee Period are detailed in the affidavit of James D. Gage sworn March 4, 2020 attached hereto as **Appendix "G"**. The Monitor's counsel incurred fees (excluding disbursements and HST) during the Fee Period totalling $55,442.50.

80. The Monitor has reviewed the accounts of its counsel and believes that the accounts are reasonable in the circumstances and respectfully requests that the Court approve its fees and disbursements and those of its counsel.

CONCLUSIONS AND RECOMMENDATIONS

81. For the reasons stated herein, the Monitor recommends that the Court grant the proposed Approval and Vesting Order, the proposed London Distribution Order and the proposed Stay Extension and KERP Order, should the Court see fit to do so.

All of which is respectfully submitted this 5th day of March 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

APPENDIX "A"

Marketing Report

March 3, 2020

CBRE

CBRE Limited Brokerage
380 Wellington Street, Suite 30
London, Ontario N6A 5B5

T 519 673 6444
D 519 286 2009
F 519 673 6948

www.cbre.ca

Alex Morrison
Partner
Ernst & Young LLP
EY Tower, 100 Adelaide Street W,
P.O. Box 1,
Toronto, ON M5H 0B3

RE: MARKETING REPORT – 1095 WILTON GROVE ROAD, LONDON, ON

This letter is to report on our marketing activity for 1095 Wilton Grove Road, London, Ontario. The following builds on the December 10th, 2019 reporting letter and is current until Tuesday, March 3, 2020.

1. Listing

An MLS Listing Agreement was entered into between 2472602 Ontario Inc. and CBRE Limited, Brokerage for 1095 Wilton Grove Road, London, Ontario on November 8th, 2019. The property is currently listed on the London St. Thomas Real Estate Board (LSTAR).

2. Property Brochure

A full colour brochure outlining in greater detail the property's specifications has been prepared. A copy is attached for reference.

3. Signage

A professional 8 ft. x 8 ft. "For Sale" full colour sign has been installed on the property as of December 10th, 2019. A photo of the sign is attached for reference.

4. Drone Photography & Video

On December 13th, Red Bird Media was on site to taking aerial photos and recorded video of the property which is now included in our marketing. The photos and video have been added to our full colour brochure which highlights the key features of the property. Click here to view the Drone Video.

5. Email Marketing Campaigns

Week of November 25th, personalized emails were sent to the City of London (Mayor and City Councilors), London Economic Development Corporation (LEDC), as well as neighbouring and key clients have been notified of the opportunity.

On December 5th, 2019 an email blast featuring 1095 Wilton Grove Road, was sent to over **455** targeted industrial users throughout Southwestern Ontario and **420** co-operating commercial Brokers across Southwestern Ontario including Kitchener/Waterloo and Toronto agents.

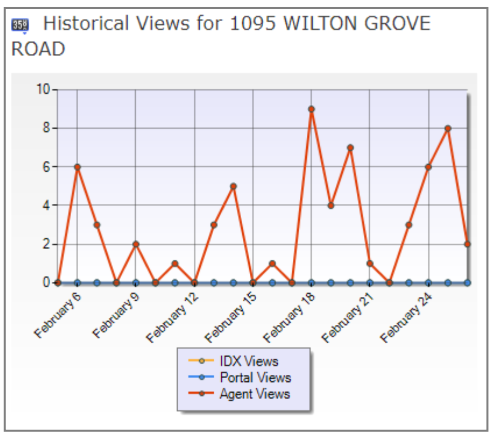
On January 14th, 2019 a multi-property email blast including 1095 Wilton Grove Road, was sent to over **455** targeted industrial users throughout Southwestern Ontario and **580** co-operating commercial Brokers across Southwestern Ontario including Kitchener/Waterloo and Toronto agents.

On February 11th, 2019 a multi-property email blast including 1095 Wilton Grove Road, was sent to over **455** targeted industrial users throughout Southwestern Ontario and **580** co-operating commercial Brokers across Southwestern Ontario including Kitchener/Waterloo and Toronto agents.

6. Online Advertising

The property also appears on the CBRE website at www.cbre.ca, and www.realtor.ca (the commercial arm of the MLS in Canada).

LSTAR STATS for the past 4 weeks:



7. Meaningful Inquiries and Tours

Tuesday, November 12, 2019 at 2:45 pm
Toured a Micro Cannabis User (Matt) with Matt Chambers, Colliers

Thursday, November 14, 2019 at 11:00 am
Toured LaCie McCormick – Ryan Luc and Ed Szymanski with Randy Fisher, CBRE listing team

Friday, November 22, 2019 at 11:30 am
Toured Dancor, Tina McClure with Matt Chambers, Colliers

Friday, November 22, 2019 at 2:00 pm
Toured Ewart McLaughlin and Archie Leach, a large industrial Landlord in Southwestern Ontario with Randy Fisher, CBRE listing team

Monday, November 25, 2019 at 11:00 am
Toured a Micro Cannabis User (Matt) for the 2nd time with Matt Chambers, Colliers. Following the tour, we met with Trevor Henry at the building

Tuesday, November 26, 2019 at 2:00 pm
2nd tour with Dancor, Tina McClure and this time with a trucking prospective Tenant and Matt Chambers, Colliers
Dancor submitted an Offer to Purchase December 2nd, 2019 and the Seller signed back the Offer on December 10th, 2019. See paragraph 8 below.

Thursday, December 5th, 2019 at 10:00 am
E&E McLaughlin had planned to tour all three AgMedica buildings but had to postpone – rescheduling for the week of December 16th, 2019

Friday, December 13th, 2019 at 10:00 am
Ross Towing & Gardner Auctions toured the building. Ross could use the yard and Gardner needs approximately 30,000 SF for their use. They would then be looking to lease out the balance of the space. They could see the Seller spent some money inside cleaning up and doing some demolition and were complimentary of the building. It is going to come down to the numbers and what they can pay for it. At our asking price it seems high for them to make sense of it for their use. They suggested a price in the 6's.

UPDATE: Monday, March 2nd, 2020, Gardner Auctions (Ross Towing partner in this) has purchased a building and therefore Ross Towing doesn't have any further interest unless they come across a Tenant for a good part of the building.

Thursday, February 27, 2019 at 12:15 pm
Tour with Eko Liu and 3 Asian clients, need 3000 amp service. They did not like the $8,900,000 asking price, they do not need the excess land. Low to medium interest.

8. <u>Conditional Sale as of January 7th, 2020</u>

Buyer:	Dancor Lands Corporation In Trust
Seller:	2472602 Ontario Inc.
Purchase Price:	$[redacted]
Deposit:	$[redacted]
2nd Deposit:	$[redacted] within seven (7) days of waiving all conditions
Buyer Conditions:	60 days following acceptance upon the following: a) Seller providing the Phase 2 environmental b) Inspection c) Economic Viability d) Review of Deliveries
Seller Conditions:	For 5 business days following acceptance upon approval of the APS
Court Approval & Vesting Order:	For 30 days following waiver of Buyer's conditions
Completion Date:	30 days after waiver of all conditions

<u>Buyer Amendment to Agreement of Purchase and Sale as of March 2nd, 2020</u>

Good news – Buyer is prepared to waive conditions, Purchase Price remains the same at $[redacted] and the Buyer will provide the 2nd deposit of $[redacted] (1st deposit was $[redacted]).

[redacted]

We look forward to the successful conclusion of our mandate for 1095 Wilton Grove Road, London, Ontario.

If you have any questions or would like to discuss further, please don't hesitate to contact either member of the listing team.

Sincerely,

CBRE LIMITED, REAL ESTATE BROKERAGE

Randy Fisher
Broker
Senior Vice President
P 519-286-2009
C 519-872-3494
randy.fisher@cbre.com

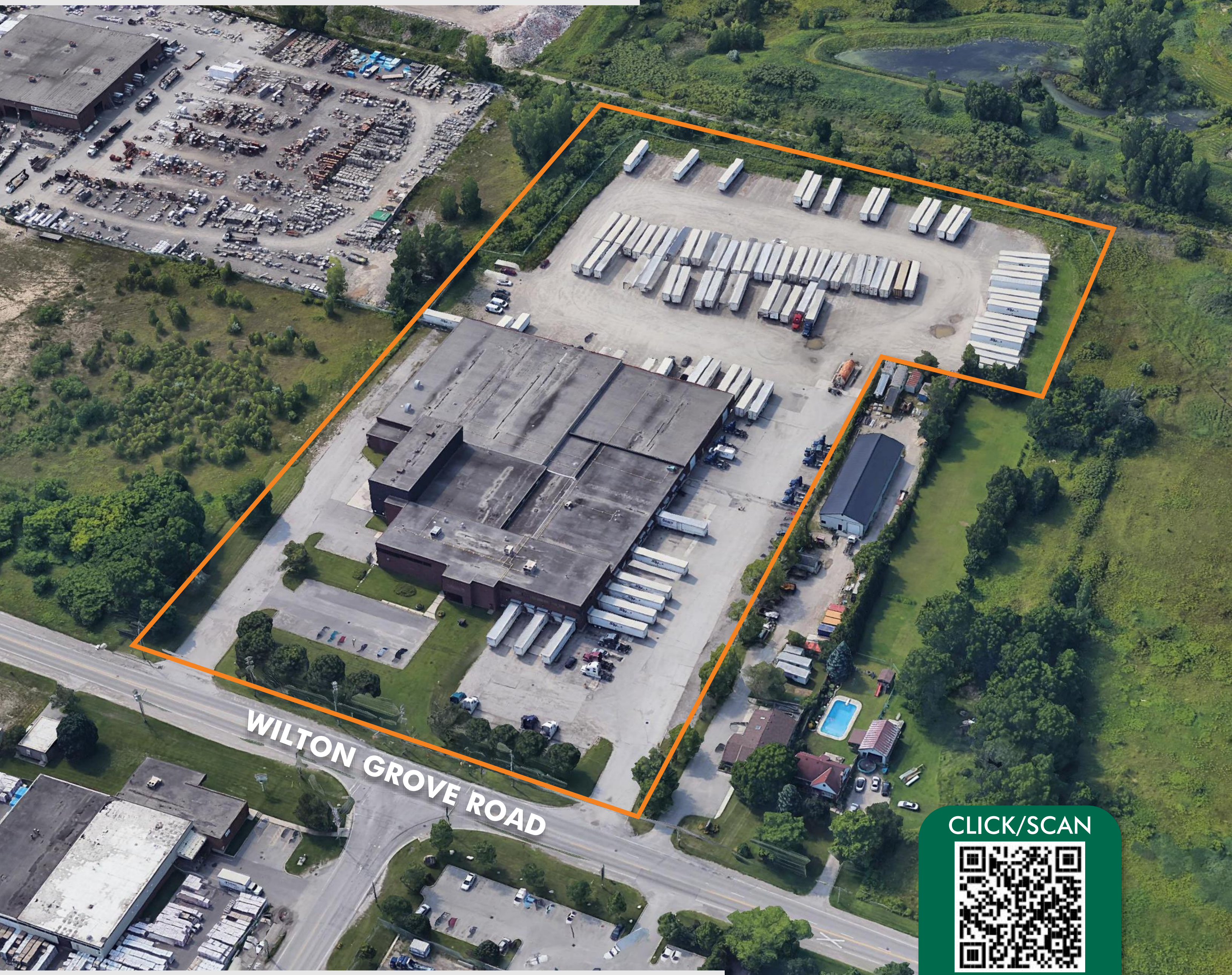
Larin Shouldice, SIOR
Sales Representative
Associate Vice President
P 519-286-2019
C 519-851-7654
larin.shouldice@cbre.com

1095 WILTON GROVE RD

LONDON, ONTARIO

FOR SALE

SALE PRICE: $8,900,000 | $ 88.00 / sq. ft.



CLICK/SCAN

TO VIEW VIDEO

FOR MORE INFORMATION PLEASE CONTACT

RANDY FISHER
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LARIN SHOULDICE, SIOR
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CBRE

FOR SALE

RARE INDUSTRIAL OPPORTUNITY

1095
WILTON GROVE ROAD
LONDON, ONTARIO

SITE FEATURES

TOTAL SQUARE FOOTAGE:	Office: 11,915 sq. ft. Retail: 7,486 sq. ft. Warehouse: 82,254 sq. ft. Total: 101,654 sq. ft.
LOT SIZE:	11.58 acres
CLEAR HEIGHT:	11 ft. 8 in. to 40 ft.
SHIPPING:	23 truck level docks 3 drive in doors 2 knockout panels
YEAR BUILT:	1980
POWER:	1200 A | 347/600 V
ZONING:	GI1, HI1
PROPERTY TAXES:	$169,157.96 (2019)

PROPERTY HIGHLIGHTS

+ Fully fence & gated yard
+ Ample on site transport truck parking
+ Full sprinkler system
+ Unit heaters throughout warehouse area
+ Alarm system on site
+ Easy access to Hwy 401 & Hwy 402

SALE PRICE: $8,900,000.00 :: $88.00 / sq. ft.

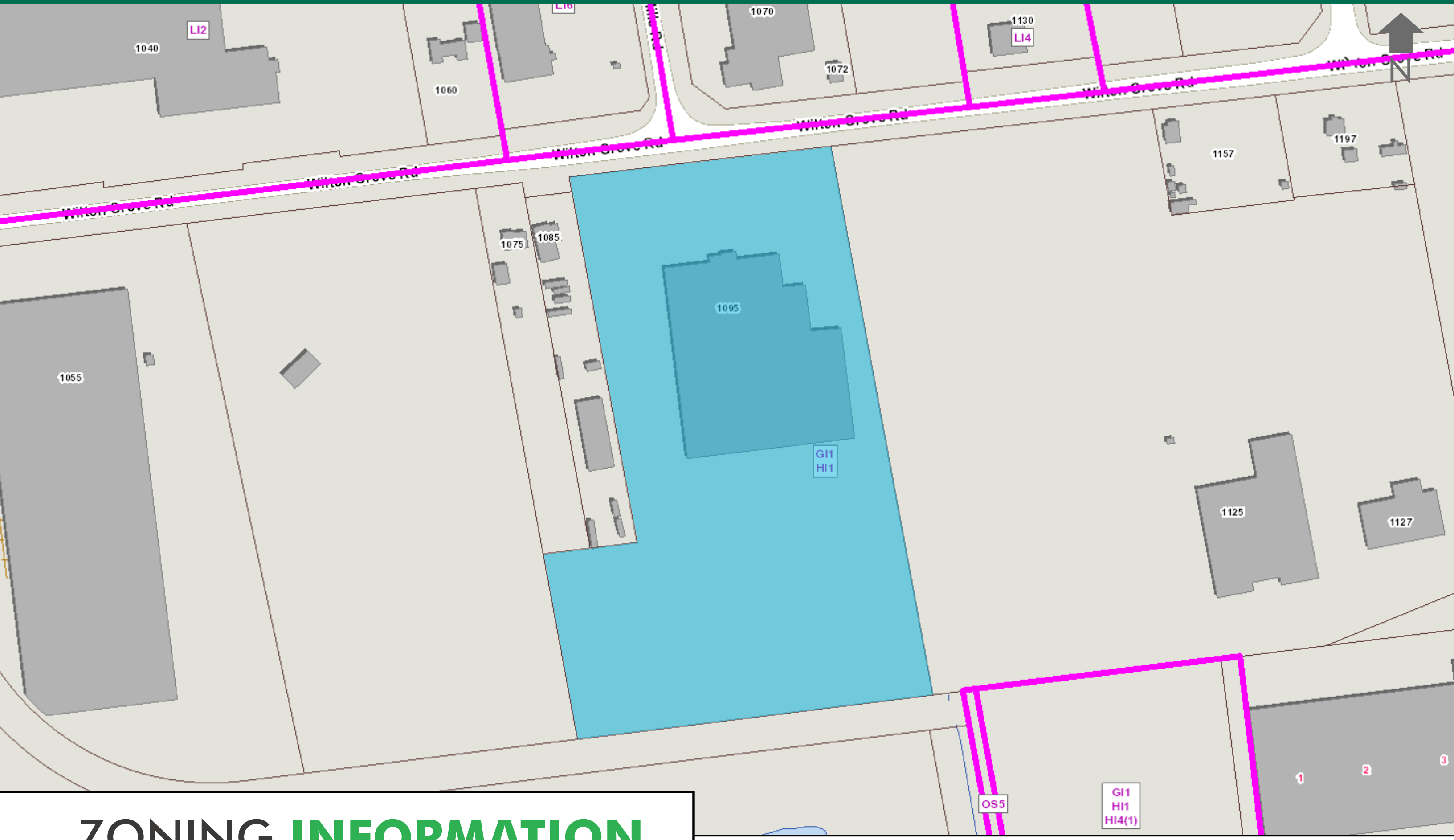
PROPERTY PHOTOS






FOR SALE
RARE INDUSTRIAL OPPORTUNITY

1095
WILTON GROVE ROAD
LONDON, ONTARIO



ZONING **INFORMATION**

PERMITTED USES – GI1 ZONE

- Auction establishments;
- Automobile body shop;
- Automobile repair garages;
- Building or contracting establishments;
- Dry cleaning and laundry plants;
- Food, tobacco and beverage processing industries*;
- Manufacturing and assembly industries;
- Printing, reproduction and data processing industries;
- Processed goods industries;
- Repair and rental establishments;
- Research and development establishments;
- Service and repair establishments;
- Service trades;
- Storage depots;
- Terminal centres;
- Transport terminals;
- Truck sales and service establishments;
- Warehouse establishments; and
- Wholesale establishments.

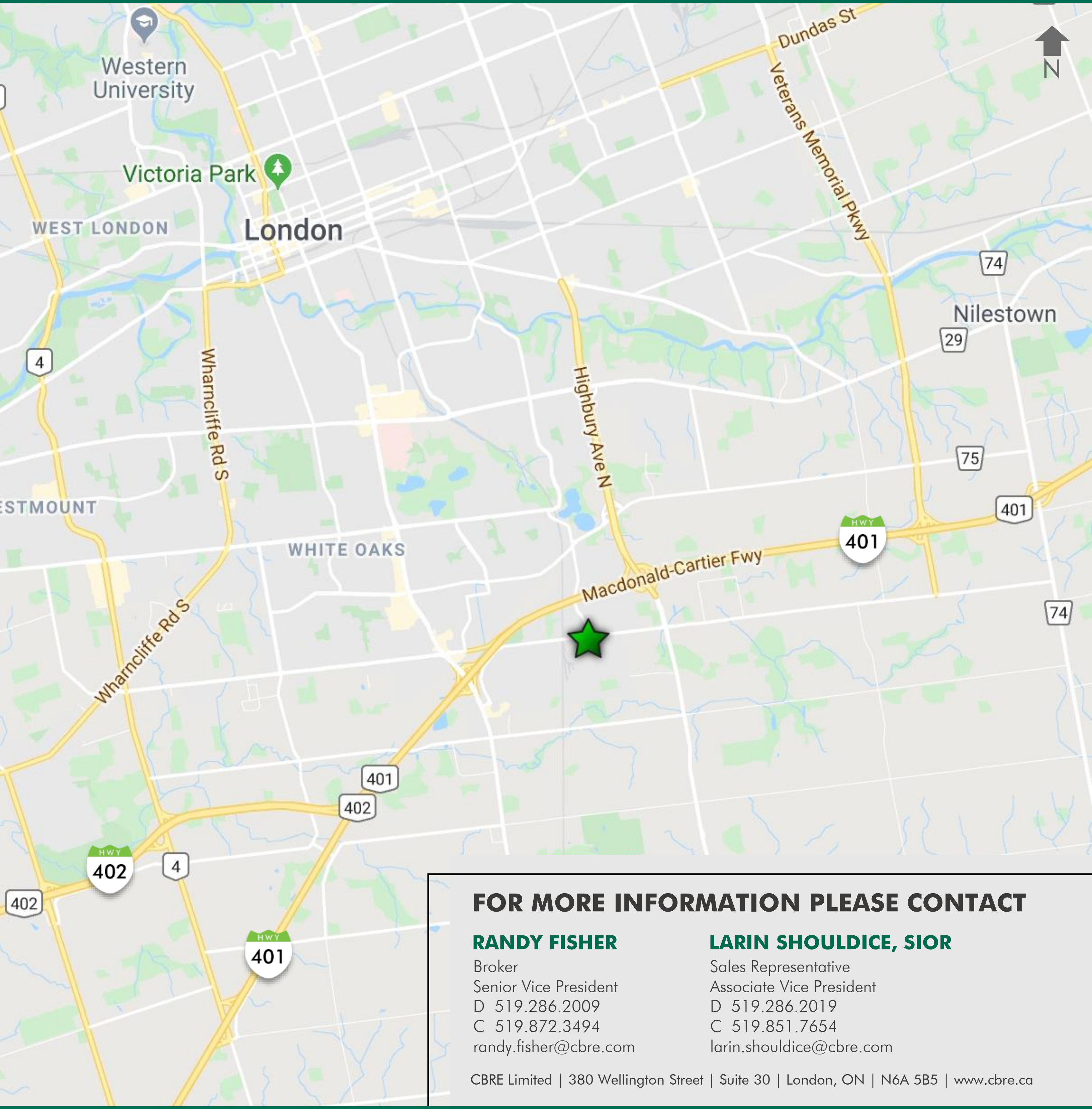
*Note: Permission to allow the processing of cannabis under the definition of a "Food, Tobacco and Beverage Processing Industry"

PERMITTED USES – HI1 ZONE

- Armaments, munitions and explosive manufacturing industries;
- Manufacturing and assembly industries;
- Processed goods industries;
- Raw materials processing industries;
- Storage depots;
- Terminal centres;
- Transport terminals;
- Warehouse establishments;
- Waste treatment facilities;
- Residential and other source recycling facility;
- Specialized recycling facility;
- In-Vessel composting facility; and
- Channel composting facility.

FOR SALE
RARE INDUSTRIAL OPPORTUNITY

1095
WILTON GROVE ROAD
LONDON, ONTARIO



FOR MORE INFORMATION PLEASE CONTACT

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CBRE Limited | 380 Wellington Street | Suite 30 | London, ON | N6A 5B5 | www.cbre.ca


INDUSTRIAL OPPORTUNITY
FOR SALE
101,654 SF ON 11.58 ACRES
GI1 & HI1 INDUSTRIAL ZONING
Randy Fisher** Larin Shouldice*
519 673 6444
** Broker * Sales Representative
CBRE Limited, Real Estate Brokerage
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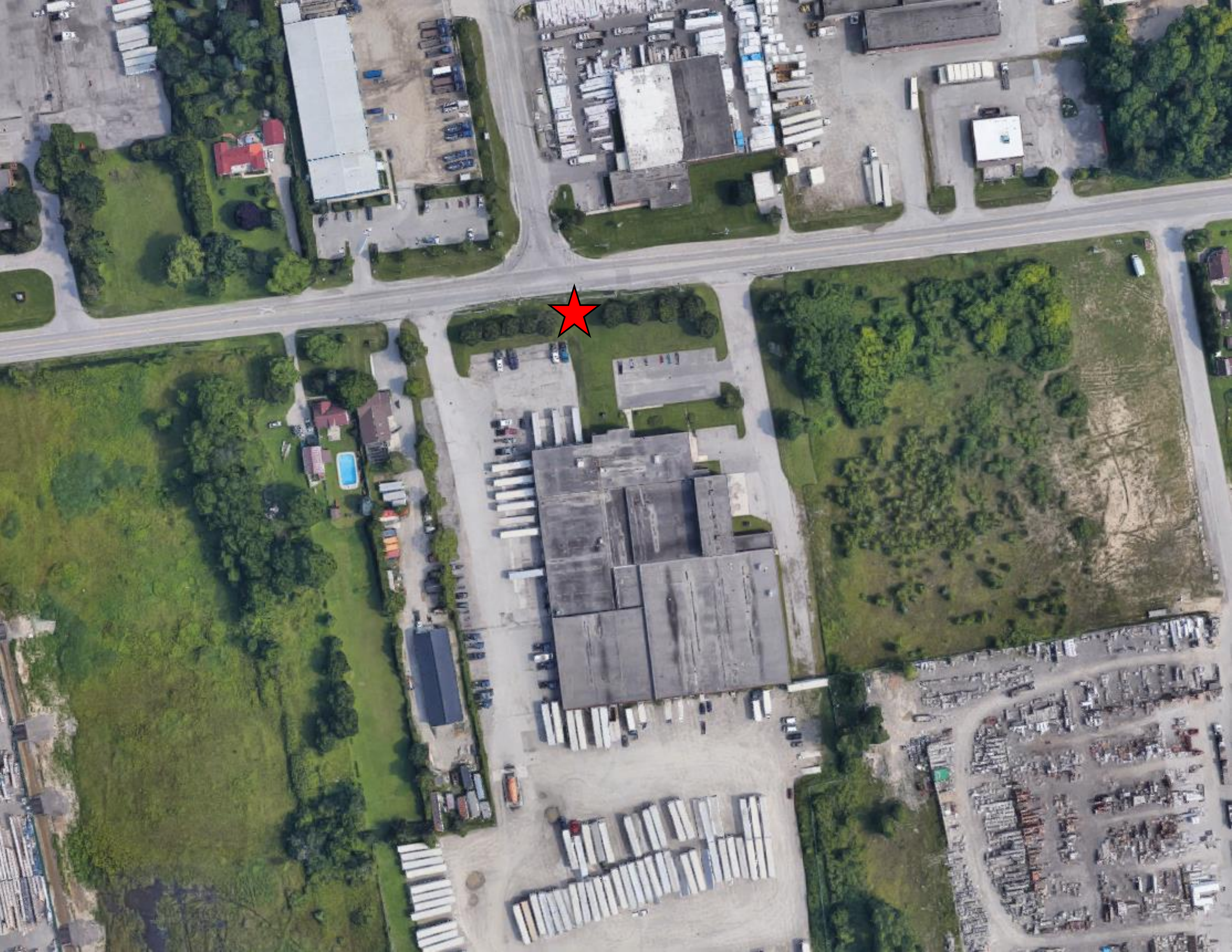
CBRE



APPENDIX “B”

DIP Facility Loan Agreement

DIP FACILITY LOAN AGREEMENT
DATED AS OF DECEMBER 20, 2019

WHEREAS the Borrowers (as defined below) have requested that the DIP Lender (as defined below) provides financing to fund certain of the Borrowers' cash requirements during the pendency of the Borrowers' proceeding (the "**CCAA Proceeding**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") before the Ontario Superior Court of Justice (Commercial List) (the "**Court**") in accordance with the terms and conditions set out herein;

AND WHEREAS the Borrowers and the DIP Lender negotiated and executed the Term Sheet (as defined below), which was approved by Mr. Justice McEwen on December 12, 2019 as set out in the SF DIP Order;

AND WHEREAS the DIP Lender has agreed to provide the DIP Facility (as defined below) in accordance with the terms and subject to the conditions set out herein.

NOW THEREFORE in consideration of the foregoing and their respective representations, warranties, covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereby agree as follows:

1. **Defined Terms**: Capitalized terms that are not defined in the body of this Agreement have the meanings ascribed to them in Schedule A.

2. **Currency**: Unless otherwise stated, all monetary denominations shall be in lawful currency of Canada.

3. **Borrowers**: AgMedica Bioscience Inc., 2472602 Ontario Inc., 2642466 Ontario Inc., 8895309 Canada Inc., Wellworth Health Corp., 8050678 Canada Inc., 8326851 Canada Inc., Tavivat Naturals Inc., World Wide Beverage Innovations Inc., Unique Beverages (USA) Inc. and Eseela Inc. (collectively, the "**Borrowers**", and any reference to the Borrowers shall be deemed to mean, "the Borrowers or any one of them").

4. **Borrower Agent**: AgMedica Bioscience Inc. (the "**Borrower Agent**") shall, on behalf of itself and the other Borrowers, provide all notices and other communications to the DIP Lender, and the DIP Lender shall provide all notices and other communications to the Borrower Agent, on behalf of itself and the other Borrowers. Unless otherwise specified, any notices or other communications provided by the Borrower Agent to the DIP Lender shall be deemed to be provided by the Borrower Agent for itself and on behalf of the other Borrowers and any notice or other communication provided by the DIP Lender to the Borrower Agent shall be deemed to be provided by the DIP Lender to the Borrowers.

5. **DIP Lender**: SF V Bridge III, LP (the "**DIP Lender**")

6. **DIP Facility and Loan Amount**: Subject to the terms and conditions hereof, the DIP Lender agrees to provide to the Borrowers a debtor-in-possession super-priority non-revolving credit facility (the "**DIP Facility**") in an amount up to $7,500,000 (the "**Loan**

Amount"). The DIP Facility is a non-revolving, multiple draw credit facility. The principal amount of any Advance that is repaid may not be re-borrowed and the available Loan Amount shall be automatically reduced by such repaid amount.

7. **DIP Advances**: Advances under the DIP Facility (each, an "**Advance**") require a written notice to be delivered by the Borrower Agent to the DIP Lender (an "**Advance Notice**"), which Advance Notice has been approved by the Monitor and executed by an officer of the Borrower Agent, setting out: (a) the proposed amount of the requested Advance; (b) the date the Advance is required; (c) the Borrower that will receive the Advance; (d) the specific use for the proceeds of the Advance, together with a certification that such use is in accordance with the DIP Budget; (e) certification that the representations and warranties contained herein are true and correct as of such date; and (f) certification that no Event of Default has occurred or will occur after giving effect to the Advance. Except for the Second Advance, each Advance Notice shall be delivered by the Borrower Agent to the DIP Lender not less than three (3) Business Days prior to the requested date of the Advance. Each Advance shall be in the minimum amount of $1,000,000.

8. **Use of Proceeds**: The proceeds of the DIP Facility shall be used by the Borrowers solely in accordance with, and subject to, the DIP Budget and the Court Orders, to fund the ordinary course working capital and other general corporate purposes of the Borrowers, to pay Permitted Fees and Expenses, to pay the Commitment Fee and to repay the obligations owed by the Borrowers to Hillmount under the Hillmount Commitment Letter (up to a maximum principal amount of $1,000,000 plus the associated costs and fees or such other amount that is approved by the DIP Lender). No proceeds may be used for any other purpose, except with the prior written approval of the DIP Lender (in its sole and absolute discretion).

9. **Evidence of Indebtedness**: The DIP Lender shall maintain a register evidencing Advances and repayments under the DIP Facility and all other amounts owing from time to time hereunder. The DIP Lender's register constitutes, in the absence of manifest error, *prima facie* evidence of the Indebtedness of the Borrowers to the DIP Lender pursuant to the DIP Facility.

10. **Interest**: All amounts owing hereunder on account of principal, and overdue interest, fees and expenses, shall bear interest at the rate of 9.5% per annum (the "**Interest Rate**").

    All interest hereunder shall be computed on the basis of a year of 365 days and shall accrue and be calculated monthly and payable in cash, monthly in arrears on the first day of each calendar month following the month for which interest has accrued (each, an "**Interest Payment Date**"); provided that, interest on the Initial Advance and the Second Advance shall be paid from the proceeds of the Second Advance.

    For the purposes of the *Interest Act* (Canada) and disclosure thereunder, whenever any interest or fee to be paid under this Agreement is to be calculated on the basis of a period that is less than a calendar year, the yearly rate of interest to which the rate used in such calculation is equivalent is the rate so used multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days in the period that is less than a calendar year.

11. **Fees and Expenses**: The Borrowers shall pay all reasonable costs and expenses of the DIP Lender (including all reasonable fees, expenses and disbursements of outside counsel and any financial advisor) in connection with the DIP Facility, including the preparation of this Agreement, the administration of the DIP Facility (including the DIP Lender's standard administration and servicing fees and the DIP Lender's costs, fees and expenses to enter into hedge agreements in connection with the DIP Facility), the enforcement of any of the DIP Lender's rights and remedies available hereunder and under any other DIP Credit Documents and in connection with the CCAA Proceeding (collectively, "**Permitted Fees and Expenses**").

12. **DIP Budget**: Attached hereto as Schedule B is a rolling 14-week period detailed cash flow forecast (the "**DIP Budget**"), which is in form and substance satisfactory to the DIP Lender. On Wednesday of each week, the Borrower Agent, with the assistance of the Monitor, shall provide the DIP Lender with an updated rolling 13-week cash flow forecast substantially in the form of the DIP Budget (the "**Updated Cash Flow**") and a variance report (the "**Cash Flow Variance Report**"), certified by an officer of the Borrower Agent, showing on a line-by-line basis the actual receipts and disbursements and the total available liquidity for the last day of the prior week and noting therein all variances on a line-by-line basis from the amounts in the DIP Budget, with explanations for all material variances. The DIP Lender may, in its sole discretion, acting reasonably, agree to substitute the Updated Cash Flow for the then current DIP Budget, in which case the Updated Cash Flow shall thereafter be deemed to be the effective DIP Budget for the purposes hereof.

13. **Conditions Precedent to Second Advance**: The DIP Lender's agreement to make the Second Advance is subject to the satisfaction of the following conditions precedent:

    (a) The DIP Lender shall have received an irrevocable direction from the Borrowers directing the DIP Lender to pay, with proceeds of the Second Advance, the Commitment Fee, interest on the Initial Advance from the date the Initial Advance was made to the first Interest Payment Date, interest on the Second Advance from the date the Second Advance is made to the first Interest Payment Date, the obligations owing to Hillmount under the Hillmount Commitment Letter, the DIP Lender's legal fees and expenses (and applicable taxes thereon) and the reasonable costs, fees and expenses of the DIP Lender incurred in connection with this DIP Facility (including the DIP Lender's standard administration and servicing fees);

    (b) The DIP Lender shall have received an updated DIP Budget and the Cash Flow Variance Report in accordance with this Agreement, which shall be in form and substance satisfactory to the DIP Lender, in its sole discretion, and the proposed uses of the Second Advance shall be in accordance with Section 13(a) and otherwise consistent with the DIP Budget and acceptable to the DIP Lender, acting reasonably;

(c) The DIP Lender shall have received such other supporting documentation as it may reasonably request, including a payout statement/undertaking to discharge security from Hillmount evidencing that the obligations owed to Hillmount under the Hillmount Commitment Letter do not exceed the principal amount of $1,000,000 plus the associated costs and fees (or such other amount that is approved by the DIP Lender); and

(d) Each condition precedent set forth in Section 14 shall have been satisfied.

14. **Conditions Precedent to All Advances After Second Advance**: The DIP Lender's agreement to make each Advance under the DIP Facility after the Second Advance is subject to the satisfaction of the following conditions precedent:

(a) The SF DIP Order shall not have been amended, restated, modified, varied, vacated, stayed or set aside, without the prior written consent of the DIP Lender, in its sole discretion;

(b) The DIP Lender shall have received an Advance Notice in accordance with the terms hereof;

(c) All representations and warranties contained in this Agreement and the other DIP Credit Documents shall be true and correct on the date of such requested Advance with the same effect as if made on and as of such date;

(d) No Event of Default shall have occurred or will occur as a result of the requested Advance; and

(e) The DIP Lender shall have received an updated DIP Budget and the Cash Flow Variance Report in accordance with this Agreement, which shall be in form and substance satisfactory to the DIP Lender, in its sole discretion, and the proposed uses of the requested DIP Advance shall be consistent with the DIP Budget and acceptable to the DIP Lender, acting reasonably.

15. **DIP Charge**: All obligations of the Borrowers under or in connection with the DIP Facility, this Agreement, the other DIP Credit Documents, including without limitation, all principal, interest, fees, expenses (including the Permitted Fees and Expenses) and other amounts owing in respect of fees and expenses of the DIP Lender, together with the Initial Advance, (collectively, the "**DIP Obligations**") shall be secured by a Court-ordered super-priority charge on the Collateral in favour of the DIP Lender (the "**DIP Charge**").

16. **Priority of DIP Charge**: The DIP Charge shall rank ahead of any and all Encumbrances on the Collateral, other than the Administration Charge.

17. **Repayment and Maturity Date**: All DIP Obligations owing to the DIP Lender shall be due and payable on the earliest of the following:

(a) nine months after the Amended Filing Date or such later date as agreed to in writing by the DIP Lender;

(b) the completion of a sale or sales of all or substantially all of the Borrowers' assets, property and undertaking, as approved by the DIP Lender, the Monitor and, where required, the Court;

(c) the implementation of a plan of compromise or arrangement pursuant to the CCAA Proceeding which has been approved by the requisite creditors of the Borrowers, the Court and the DIP Lender;

(d) the date on which the SF DIP Order expires without being extended or on which the CCAA Proceeding is terminated or dismissed; and

(e) an Event of Default in respect of which the DIP Lender has elected, in its sole discretion, to accelerate the DIP Obligations;

(such earliest date, the "**Maturity Date**").

The DIP Lender's commitment to make Advances under the DIP Facility shall expire on the Maturity Date and all then outstanding DIP Obligations shall be repaid on the Maturity Date, without the DIP Lender being required to make demand upon the Borrowers or to give notice that the DIP Facility has expired and that the obligations hereunder are due and payable.

18. **Mandatory Prepayments**: Subject to the terms and conditions herein, the Borrowers shall prepay the DIP Obligations with 100% of each of the following amounts:

(a) insurance proceeds (net of deductibles) or expropriation awards received by a Borrower;

(b) the Net Proceeds from the sale of any of the Collateral other than the sale of inventory in the course of business;

(c) any extraordinary payments received by a Borrower;

(d) the net cash proceeds from the sale of any equity interests in a Borrower or its subsidiary or the receipt of capital contributions by a Borrower or its subsidiary; and

(e) the net cash proceeds received from the incurrence by a Borrower of any Indebtedness (except as permitted hereunder).

Notwithstanding the foregoing, the first $2,000,000 of Net Proceeds from the sale of the Non-Essential Real Property shall be applied or reserved to repay the DIP Obligations in such amount, and the balance shall be applied to repay the creditors having valid security on the Non-Essential Real Property that is sold in order of the priority of their security on such Non-Essential Real Property. After such creditors have been paid in full, any surplus Net Proceeds from the sale of Non-Essential Real Property shall be applied or reserved to repay the remaining balance of the DIP Obligations.

Notwithstanding the foregoing, the first $2,000,000 of Net Proceeds from the sale of the London Property shall be applied or reserved to repay the DIP Obligations in such amount, and the balance shall be applied to repay the creditors having valid security on the London Property in order of the priority of their security on the London Property. Thereafter, any surplus Net Proceeds from the sale of the London Property shall be applied or reserved to repay the remaining balance of the DIP Obligations.

Upon the making of any mandatory prepayment, the Borrowers shall compensate the DIP Lender for any loss, cost or expense (including any breakage costs in respect of any hedge agreement to which the DIP Lender or any of its Affiliates is a party) as a result of such prepayment. Each such prepayment shall be accompanied by the amount of accrued interest on the amount prepaid. Any mandatory prepayment made hereunder shall permanently reduce the Loan Amount and may not be re-borrowed.

19. **Optional Prepayment**: The Borrowers may voluntarily prepay any principal amount of the DIP Obligations. The Borrower Agent shall give written notice to the DIP Lender of each voluntary prepayment not less than fifteen (15) Business Days prior to such voluntary prepayment. Such notice shall be irrevocable and shall specify:

(a) the date on which the prepayment is to take place;

(b) the principal amount of the prepayment; and

(c) the Borrower that will make the prepayment.

Upon the making of any voluntary prepayment, the Borrowers shall compensate the DIP Lender for any loss, cost or expense (including any breakage costs in respect of any hedge agreement to which the DIP Lender or any of its Affiliates is a party) as a result of such prepayment. Each such prepayment shall be accompanied by the amount of accrued interest on the amount prepaid. Any voluntary prepayment made hereunder shall permanently reduce the Loan Amount and may not be re-borrowed.

20. **Payments**: All payments of principal, interest, fees and expenses by the Borrowers hereunder shall be made for value in the full amount due at or before 1:00 pm (New York time) on the day such amount is due by deposit or transfer thereof to an account designated by the DIP Lender. Payments received after such time shall be deemed to have been made on the next following Business Day. If any payment is due on a day which is not a Business Day, such payment shall be due on the next following Business Day and interest shall accrue until but excluding the actual date of payment.

Each payment to be made by the Borrowers shall be made in full without deduction, set-off or counterclaim of any kind or for any reason. All payments required hereunder shall be made in lawful currency of Canada.

If any fees and expenses incurred by the Borrowers after the date of this Agreement are not paid by the Borrowers, the DIP Lender may, but shall have no duty to, pay all such fees and expenses whereupon such amounts shall be added to and form part of the DIP Obligations and shall reduce the availability under the DIP Facility.

All amounts received in repayment of DIP Obligations shall be applied as follows: (i) first, to outstanding interest and costs payable hereunder; (ii) second, to outstanding Permitted Fees and Expenses; and (iii) third, towards outstanding principal hereunder.

21. **Representations and Warranties**: Each Borrower represents and warrants to the DIP Lender, upon which the DIP Lender relies in entering into this Agreement and the other DIP Credit Documents, that:

(a) The transactions contemplated by this Agreement and the other DIP Credit Documents have been duly authorized, executed and delivered by or on behalf of the Borrowers, and upon the granting of the SF DIP Order:

(i) are within the powers of the Borrowers;

(ii) constitute legal, valid and binding obligations of the Borrowers;

(iii) do not (or would not with the giving of notice, the lapse of time or the happening of any other event or condition) require any consent or approval under, result in a breach or violation of, or conflict with, any of the terms or provisions of its constating documents or by-laws or any contracts or instruments to which it is a party or pursuant to which any of its assets or property may be affected, other than breaches that are stayed by the Initial Order;

(iv) there is no requirement for the Borrowers to make any filing with, give any notice to or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any Governmental Authority as a condition to the lawful consummation of the transactions contemplated by this Agreement;

(b) The Business has been and will continue to be conducted in material compliance with applicable Law of each jurisdiction in which the Business has been or is being carried on, subject to the provisions of each Court Order made after the Filing Date;

(c) The Borrowers have obtained all Authorizations for the operation of the Business, which Authorizations remain, and after entering into the DIP Facility will remain, in full force and effect, and no proceedings have been commenced to revoke or amend any such Authorizations;

(d) No expropriation or casualty event has occurred with respect to any of the Collateral;

(e) No material pending or threatened litigation or proceeding exists against any Borrower or the Collateral, or seeking to enjoin or otherwise prevent or declare invalid or unlawful the occupancy, use, maintenance or operation of the Project or the conduct of the Business;

(f) No Event of Default has occurred and is continuing;

(g) Wellworth Health Corp. continues to wind down its operations and will cease to carry on any business (including the Business), except in its capacity as a Borrower hereunder;

(h) The proceeds of the Initial Advance were used to pay the operating costs and expenses of the Borrowers in accordance with the DIP Budget; and

(i) All factual information provided by or on behalf of the Borrowers to the DIP Lender for the purposes of or in connection with this Agreement or any transaction contemplated herein is true and accurate in all material respects on the date as of which such information is dated or certified and is not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not materially misleading at such time in light of the circumstances under which such information was provided.

22. **Affirmative Covenants**: Each Borrower agrees and covenants to perform and do each of the following until the DIP Facility is permanently and indefeasibly repaid and cancelled:

(a) Comply with the provisions of the Court Orders including, without limitation, the SF DIP Order;

(b) Deliver to the DIP Lender (i) Updated Cash Flows and Cash Flow Variance Reports in accordance with Section 12 and (ii) such other reporting and other information from time to time as is reasonably requested by the DIP Lender;

(c) Deliver to DIP Lender, concurrently with the delivery thereof to the Monitor (i) copies of all monthly internal financial statements, liquidity and updates to the DIP Budget that are reported weekly, together with any related or supporting information provided to the Monitor and (ii) any written reports, commentary or analysis received by the Borrowers from the Monitor regarding the financial position of the Borrowers or otherwise;

(d) Provide the DIP Lender with a weekly status update regarding the status of the CCAA Proceeding, including any information which may otherwise be confidential, subject to same being maintained as confidential by the DIP Lender;

(e) Keep the DIP Lender apprised on a timely basis of all material developments with respect to the Business and affairs of the Borrowers and their subsidiaries (including any changes to the strategy of the Borrowers);

(f) Notify the DIP Lender forthwith of the occurrence of any Event of Default;

(g) Allow the DIP Lender, its directors, officers, employees, agents, advisors and representatives full access to the Borrowers' premises and all information and documentation of the Borrowers and their Affiliates on reasonable notice and during normal business hours and cause management thereof to fully cooperate with any such directors, officers, employees, agents, advisors and representatives;

(h) Preserve, renew, maintain and keep in full force and effect its corporate existence and its Authorizations required in respect of the Business or any of the Collateral;

(i) Maintain in full force all policies and contracts of insurance that are now in effect (or renewals thereof) under which the Borrowers, the Business or any of the Collateral is insured;

(j) Pay when due all applicable Taxes and other amounts that are Priority Payables, permitting and licences fees and other amounts necessary to preserve the Collateral to avoid any Encumbrance thereon and pay all amounts due under any utility contracts;

(k) Pay when due all principal interest, fees and other amounts payable by the Borrowers under this Agreement and the other DIP Credit Documents;

(l) Use commercially reasonable efforts to, by March 12, 2020, sell or execute agreements of purchase and sale with respect to the Non-Essential Real Property and the London Property on terms and conditions satisfactory to the DIP Lender, acting reasonably;

(m) Subject to Section 22(l), maintain or cause to be maintained in good repair, working order and condition (ordinary wear and tear excepted) all properties used or useful in the Business and make or cause to be made all appropriate repairs, renewals and replacements thereof;

(n) At the Borrowers' sole cost and expense, provide the DIP Lender with Phase 1 and Phase 2 environmental reports with respect to the real property located at 566 Riverview Drive, Chatham-Kent, Ontario and 650 Riverview Drive, Chatham-Kent Ontario by an environmental consultant satisfactory to the DIP Lender, which reports are in form and substance satisfactory to the DIP Lender, including that such reports are addressed to the DIP Lender and that such properties are not-contaminated sites (or, if contaminated, specifying the cost of remediation); and

(o) If requested by the DIP Lender, at the Borrowers' sole cost and expense, provide the DIP Lender with title insurance policies, in form and substance satisfactory to the DIP Lender, acting reasonably, by a title insurance company acceptable to the DIP Lender.

23. **Negative Covenants**: Each Borrower covenants and agrees not to do the following, other than with the prior written consent of the DIP Lender, in its sole discretion:

(a) Not seek any Court Order that may adversely impact the DIP Lender, without the DIP Lender's prior written consent and the approval of the Monitor, and otherwise, not seek any Court Order without prior consultation with the DIP Lender and the approval of the Monitor;

(b) Not utilize any Advance except in accordance with the permitted uses hereunder and the DIP Budget;

(c) Except as contemplated by this Agreement or any Court Order, and except as otherwise required by Law, make any payment of any Indebtedness or obligations existing as at the Amended Filing Date (the "**Pre-Existing Debt**"), other than in accordance with the DIP Budget or as approved by the Monitor;

(d) Create, incur or permit to exist any Indebtedness other than Pre-Existing Debt, Advances and accounts payable in the ordinary course of Business and in accordance with the DIP Budget;

(e) Except for Permitted Encumbrances, create or permit to exist any Encumbrance or provide or seek or support a motion by another Person to provide any Encumbrance, upon any of the Collateral;

(f) Except for the joint and several liability of the Borrowers hereunder, make any investments in or loans to or guarantee (or provide any other financial assistance with respect to) the Indebtedness or obligations of any other Person or entity or permit its Affiliates to do so;

(g) Change its jurisdiction of incorporation, chief executive office or registered office;

(h) Enter into, or amend, any transaction or series of related transactions with any Affiliate;

(i) Change its name, fiscal year end or accounting policies or amalgamate, consolidate with, merge into, dissolve or enter into any similar transaction with any other Person or permit a change of control of any Borrower;

(j) Enter any restrictive covenants or agreements which might affect the value or liquidity of any Collateral;

(k) Move any of the Collateral outside of the Province of Ontario, or except as contemplated by Section 22(l) or the ordinary course of business, sell, assign, lease, convey or otherwise dispose of any of the Collateral;

(l) Disclaim any contract that is material to the Business without the prior approval of the DIP Lender, acting reasonably, and the Monitor;

(m) Amend or renew, extend the term, disclaim or accept the surrender of any real property lease without the prior approval of the DIP Lender, acting reasonably, or consent of the Monitor;

(n) Except as required pursuant to (i) the terms of any compensation or benefit plan, program or arrangement as in effect on the date hereof or (ii) applicable Law, increase any termination or severance entitlements or pay any termination or severance payments or modify any compensation or benefit plans whatsoever;

(o) Create or acquire any new subsidiary;

(p) Purchase or redeem its shares or units or otherwise reduce its capital;

(q) Declare or pay any dividends, or distributions to shareholders, or repay any shareholders' loans, interest thereon or share capital of any Borrower;

(r) Commencing in the fourth week following the issuance of the SF DIP Order and each week thereafter, if the actual net cash of the Borrowers for that week plus $500,000 (excluding Advances in excess of projected Advances in the DIP Budget and on the basis that payables of the Borrowers are paid when due in the ordinary course of business) does not exceed the forecasted net cash in the DIP Budget for that week, permit (i) the negative variance (as compared to the DIP Budget) of the aggregate receipts of the Borrowers for the prior four-week period to exceed 10% or (ii) the negative variance (as compared to the DIP Budget) of the aggregate operating disbursements (excluding professional fees and expenses) made by the Borrowers during the prior four-week period to exceed 10%; or

(s) Permit Wellworth Health Corp. to carry on any business (including the Business), except in its capacity as a Borrower hereunder, save and except what is required to continue to wind down its operations.

24. **Events of Default**: The occurrence of any one or more of the following events shall constitute an event of default (each, an "**Event of Default**") under this Agreement:

(a) Failure of the Borrowers to pay any amounts to the DIP Lender when due and owing hereunder or otherwise;

(b) Failure of the Borrowers to perform or comply with any term or covenant of this Agreement or any other DIP Credit Document;

(c) The DIP Lender determines, in its sole discretion, acting reasonably, that a material adverse change has occurred after the date hereof in respect of the business, affairs or financial condition of the Borrowers (individually or collectively) or their ability (individually or collectively) to comply with their obligations under this Agreement, any other DIP Credit Document or any Court Order;

(d) A Borrower fails to pay wages to its employees or to remit source deductions as they become due from time to time, but only with respect to Priority Payables;

(e) A Borrower fails to remit provincial sales taxes or goods and services taxes (or the equivalent) as they become due from time to time, but only with respect Priority Payables;

(f) The Initial Order or the SF DIP Order is amended, restated or otherwise varied without the consent of the DIP Lender or any Court Order is issued, dismissed, stayed, reversed, vacated, amended or restated and such issuance, dismissal, stay, reversal, vacation, amendment or restatement adversely affects or would reasonably be expected to adversely affect the interest of the DIP Lender, including any Court Order:

(i) terminating, lifting or amending the stay imposed by the CCAA Proceeding;

(ii) issuing a bankruptcy order against a Borrower;

(iii) appealing or granting leave to appeal the SF DIP Order;

(iv) granting any other claim or Encumbrance of equal or priority status to that of the DIP Lenders' Charge, except as permitted hereunder; or

(v) staying, reversing, vacating or otherwise modifying the DIP Credit Documents, the DIP Charge or prejudicially affecting the DIP Lenders or the Collateral;

(g) The appointment of a receiver and manager, receiver, interim receiver or similar official or any process of any court becomes enforceable against a Borrower, or any of its property or seized or levied upon, or a creditor takes possession of any property of a Borrower;

(h) Any violation or breach of any Court Order by any Borrower;

(i) Subject to the SF DIP Order, any other Court Order, or the prior written consent of the DIP Lender, any Borrower, with the exception of Wellworth Health Corp., ceases to carry on or maintain its Business or its assets in the ordinary course of the Business;

(j) Any representation or warranty made or given hereunder or under any other DIP Credit Document by the Borrowers is incorrect or misleading when made;

(k) Any proceeding, motion or application is commenced or filed by a Borrower, or if commenced by another Person, supported or otherwise consented to by a Borrower, seeking the invalidation, subordination or other challenge of the terms of the DIP Facility, the DIP Charge, this Agreement, any other DIP Credit Document, the SF Loan Documents or the SF Security;

(l) Any Cannabis Law is repealed;

(m) The DIP Lender reasonably believes itself insecure due to a change or interpretation of the *Controlled Substances Act (CSA)* or related laws; or

(n) A New SF Event of Default occurs and is continuing.

25. **Remedies**: Upon the occurrence of an Event of Default, the DIP Lender may, in its sole discretion, elect to terminate the DIP Lender's commitment to make further Advances to the Borrowers and set-off, consolidate or accelerate all amounts outstanding under the DIP Facility and any DIP Credit Documents and declare such amounts to be immediately due and payable without any periods of grace. Upon the occurrence of an Event of Default, the DIP Lender may, subject to the SF DIP Order, upon ten (10) days' prior written notice to the Borrowers and the Monitor:

(a) apply to the Court for the appointment of a receiver, an interim receiver or a receiver and manger over the Collateral;

(b) apply for a Court Order, on terms satisfactory to the Monitor and the DIP Lender, providing the Monitor with the power, in the name of and on behalf of the Borrowers, to take all necessary steps in the CCAA Proceeding to realize on the Collateral;

(c) exercise the powers and rights of a secured creditor; and/or

(d) exercise all such other rights and remedies available to the DIP Lender under this Agreement, the other DIP Credit Documents, the Court Orders and applicable Law.

26. **Further Assurances:** The Borrowers shall, at their own expense, from time to time do, execute and deliver, or cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) as the DIP Lender may reasonably request for the purpose of giving effect to this Agreement and the other DIP Credit Documents.

27. **Joint & Several Liability:** Each Borrower shall be jointly and severally liable for all DIP Obligations regardless of which Borrower actually receives Advances under the DIP Facility or the amount of any such Advance received or the manner in which the DIP Lender accounts for such Advances on its books and records.

28. **Indemnity**: Each Borrower shall indemnify and hold harmless the DIP Lender, and its Affiliates and the officers, directors, employees, representatives, advisors, managers, solicitors and agents of the DIP Lender and its Affiliates (collectively, the "**Indemnified Persons**") from and against any and all actions, lawsuits, proceedings (including any investigations or inquiries), losses, damages, liabilities or expenses of any kind or nature whatsoever which may be incurred by or suited against or involve any of the Indemnified Persons as a result of, in connection with or in any way related to the DIP Facility, the proposed or actual use of the Advances, this Agreement or the other DIP Credit Documents. Notwithstanding the foregoing, the Borrowers shall have no obligation to indemnify any Indemnified Person against such loss, liability, cost or expense to the extent that they are found by final judgment of a court of competent jurisdiction to arise from the gross negligence or willful misconduct of such Indemnified Person. The DIP Lender shall not be responsible or liable to the Borrowers or any other Person for any indirect, consequential special or punitive damages.

29. **Judgement Currency**: If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due hereunder in Canadian dollars into another currency, the parties hereto agree, to the fullest extent permitted by law, that the rate of exchange used shall be that at which, in accordance with normal banking procedures, the DIP Lender could purchase Canadian dollars with such other currency at the buying spot rate of exchange in the New York foreign exchange market on the Business Day immediately preceding that on which any such judgment, or any relevant part thereof, is given. The obligations of the Borrowers in respect of any sum due to the DIP Lender hereunder and

under the other DIP Credit Documents shall, notwithstanding any judgment in a currency other than Canadian dollars, be discharged only to the extent that on the Business Day following receipt by the DIP Lender of any sum adjudged to be so due in such other currency the DIP Lender may, in accordance with normal banking procedures, purchase Canadian dollars with such other currency. If the amount of Canadian dollars so purchased is less than the sum originally due to the DIP Lender in Canadian dollars, the Borrowers agree, to the fullest extent that they may effectively do so, as a separate obligation and notwithstanding any such judgment, to indemnify the DIP Lender against such loss. If the amount of Canadian dollars so purchased exceeds the sum originally due to the DIP Lender in Canadian dollars, following repayment in full of the DIP Obligations, the DIP Lender shall remit such excess to the Borrowers.

30. **Withholdings and Tax Indemnity**: Any and all payments by or on account of any obligation of the Borrowers hereunder or under any other DIP Credit Document shall be made free and clear of and without deduction or withholding for any Taxes; provided that, if any Borrower is required by applicable Law to deduct or withhold any Taxes from such payments, then:

(a) if such tax is an Indemnified Tax, the amount payable by the Borrowers shall be increased so that after making all required deductions or withholdings (including deductions or withholdings applicable to additional amounts payable under this Section), the DIP Lender receives an amount equal to the amount it would have received had no such deductions or withholdings been made; and

(b) the Borrowers shall make such deductions and timely pay the full amount deducted to the relevant Governmental Authority in accordance with applicable Law.

In addition, the Borrowers shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable Law. The Borrowers shall indemnify the DIP Lender, within ten days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed on or attributable to amounts payable hereunder) paid by the DIP Lender on or with respect to an amount payable by the Borrowers under or in respect of this Agreement or under any other DIP Credit Document together with any penalties, interest and expenses arising in connection therewith and with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate from the DIP Lender as to the amount of such payment or liability delivered to the Borrowers shall be conclusive absent manifest error. Promptly after any payment of Indemnified Taxes or Other Taxes by the Borrowers to a Governmental Authority (but in any event within 30 days after the date of such payment), the Borrowers shall deliver to the Lender the original or certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the relevant return reporting such payment or other evidence of such payment reasonably satisfactory to the DIP Lender. If the DIP Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrowers or with respect to which the Borrowers have paid additional amounts pursuant to this Section, it shall, following repayment in full of the DIP Obligations, pay over such refund (or the amount of any credit in lieu of refund) to the Borrowers (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrowers under this Section with respect to the Taxes or Other Taxes giving rise to such refund or credit in lieu of refund), net of all out-of-pocket expenses of the DIP Lender, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund or credit in lieu of refund), provided that the Borrowers, upon the request of the DIP Lender, agree to repay the amount paid over to the Borrowers (plus any interest, penalties or other charges imposed by the relevant Governmental Authority) to the DIP Lender in the event the DIP Lender is required to repay such refund or credit in lieu of refund to such Governmental Authority. Notwithstanding the foregoing, the DIP Lender shall not be required to make available its tax returns or any other information relating to its taxes that it deems confidential to the Borrowers or any other Person.

31. **Entire Agreement:** This Agreement and the other DIP Credit Documents, constitute the entire agreement between the parties related to the subject matter hereof and, as the definitive documents, supersede all prior correspondence, agreements, negotiations, discussions and understandings, including, without limitation, the Term Sheet. To the extent that there is any inconsistency between this Agreement and the other DIP Credit Documents, this Agreement shall prevail.

32. **Amendments and Waivers:** No waiver or delay on the part of the DIP Lender in exercising any right or privilege hereunder or under any other DIP Credit Document shall operate as a waiver hereof or thereof unless made in writing and delivered in accordance with the terms of this Agreement. A waiver, amendment, release or modification of this Agreement or any other DIP Credit Document shall not be established by conduct, custom or course of dealing and shall occur, if applicable, solely by an instrument in writing duly executed by the DIP Lender, in the case of a waiver or release, and the parties hereto, in the case of an amendment or other modification.

33. **Assignment**: The DIP Lender may assign this Agreement and its rights and obligations hereunder, in whole or in part, to any Person acceptable to the DIP Lender, in its sole discretion, in consultation with the Monitor. The Borrowers shall not be permitted to assign this Agreement nor any right and obligation hereunder without the written consent of the DIP Lender, in its sole discretion.

34. **Severability:** Any provision in this Agreement or any other DIP Credit Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or thereof or effecting the validity of enforceability of such provision in any other jurisdiction.

35. **No Third Party Beneficiary**: No Person, other than the Borrowers and the DIP Lender, are entitled to rely upon this Agreement, and the parties expressly agree that this Agreement does not confer any rights upon any Person not a signatory hereto.

36. **Press Releases**: The Borrowers shall not issue any press release naming the DIP Lender without its prior approval, unless the Borrowers are required to do so by applicable Law.

37. **Counterparts:** This Agreement may be executed in any number of counterparts and delivered by e-mail, including in PDF format, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument.

38. **Notices**: Any notice, request or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or sent by electronic mail to the attention of the Person set forth below:

In the case of the DIP Lender:

767 Fifth Avenue
12th Floor
New York, New York
10153 U.S.A.

Attention: Joseph Podesta / Dave Ray
Email: josephpodesta@stabiliscap.com / DaveRay@stabiliscap.com

With a copy to:

Borden Ladner Gervais LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, Ontario
M5H 4E3

Attention: Alex MacFarlane
Email: amacfarlane@blg.com

In the case of the Borrowers:

c/o AgMedica Bioscience Inc.
111 Heritage Road
Suite 200
Chatham, Ontario
N7M 5W7

Attention: Dr. Trevor Henry
Email: thenry@agmedica.ca

With a copy to:

Thornton Grout Finnigan LLP
100 Wellington Street West
Suite 3200
TD West Tower
Toronto-Dominion Centre

Toronto, Ontario
M5K 1K7

Attention: Rebecca L. Kennedy
Email: rkennedy@tgf.ca

In either case, with a copy to the Monitor:

Ernst & Young Inc.
100 Adelaide Street West
Toronto, Ontario
M5H 0B3

Attention: Alex Morrison
Email: alex.f.morrison@ca.ey.com

With a copy to:

McCarthy Tetrault
66 Wellington Street West
Suite 5300
Toronto, Ontario
M5K 1E6

Attention: James D. Gage
Email: jgage@mccarthy.ca

Any such notice shall be deemed to be given and received, when received, unless received after 5:00 pm local time or on a day other than a Business Day, in which case the notice shall be deemed to be received the next Business Day.

39. **English Language:** The parties hereto confirm that this Agreement and all related documents have been drawn up in the English language at their request. *Les parties aux présentes confirment que le présent acte et tous les documents y relatifs furent rédigés en anglais à leur demande.*

40. **Interpretation**: In this Agreement, words signifying the singular include the plural and vice versa, and words signifying gender include all genders. Every use of the word "including" in this Agreement is to be construed as meaning "including, without limitation". The division of this Agreement into Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. References in this Agreement to a Section or Schedule are to be construed as references to a Section or Schedule of or to this Agreement unless the context requires otherwise. Subject to any limitations set forth herein, references to contracts, agreements or instruments are deemed to include all amendments, supplements, restatements or replacements to or of such contracts, agreements or instruments. References to a Person includes that Person's successors and permitted assigns.

41. **Governing Law and Jurisdiction:** This Agreement shall be governed by, and construed in accordance with, the Laws of the Province of Ontario and the federal Laws of Canada applicable therein. The parties hereby attorn and submit to the non-exclusive jurisdiction of the Court.

[remainder of page left intentionally blank; signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

AS DIP LENDER:

SF V BRIDGE III, LP, by its general partner, STABILIS GP V, LLC

By: ______________________________
Name: Dave Ray
Title: Authorized Signatory

AS BORROWER:

AGMEDICA BIOSCIENCE INC.

By: ______________________________

Name: Trevor Henry

Title: CEO

AS BORROWER:

2472602 ONTARIO INC.

By: ______________________________

Name: Trevor Henry

Title: CEO

AS BORROWER:

2642466 ONTARIO INC.

By: ______________________________

Name: Trevor Henry

Title: CEO

AS BORROWER:

8895309 CANADA INC.

By: ______________________________
Name: Trevor Henry
Title: CEO

AS BORROWER:

WELLWORTH HEALTH CORP.

By: ______________________________
Name: Trevor Henry
Title: CEO

AS BORROWER:

8050678 CANADA INC.

By: ______________________________
Name: Trevor Henry
Title: CEO

AS BORROWER:

8326851 CANADA INC.

By: ______________________
Name: Trevor Henry
Title: CEO

AS BORROWER:

TAVIVAT NATURALS INC.

By: ______________________
Name: Trevor Henry
Title: CEO

AS BORROWER:

WORLD WIDE BEVERAGE INNOVATIONS INC.

By: ______________________
Name: Trevor Henry
Title: CEO

AS BORROWER:

UNIQUE BEVERAGES (USA) INC.

By: ______________________________
Name: Trevor Henry
Title: CEO

AS BORROWER:

ESEELA INC.

By: ______________________________
Name: Trevor Henry
Title: CEO

SCHEDULE A

DEFINITIONS

"**Administration Charge**" means the super-priority charge to be granted by the Court in an amount not exceeding $500,000 securing the fees and expenses of: (i) the Borrowers' CCAA counsel and (ii) the Monitor and its counsel;

"**Advance**" has the meaning given to that term in Section 7;

"**Advance Notice**" has the meaning given to that term in Section 7;

"**Affiliate**" of any Person means, at the time such determination is made, any other Person controlling, controlled by or under common control with such first Person, where "control" means the possession, directly or indirectly, of the power to direct the management and policies of such Person, whether through the ownership of voting securities or otherwise;

"**Agreement**" means this DIP Facility Loan Agreement, including all Schedules, as it may be modified, amended, revised, restated, replaced, supplemented or otherwise changed from time to time and at any time hereafter;

"**Amended Filing Date**" means the date the SF DIP Order is made by the Court;

"**Authorization**" means, with respect to any Person, any order, permit, approval, consent, waiver, licence (including, without limitation, any of the foregoing relating to the Business, including, without limitation, any of the foregoing that is related to Cannabis or Cannabis-Related Activities) or similar authorization of any Governmental Authority related to the Borrowers, the Collateral or the Business;

"**Borrower Agent**" has the meaning given to that term in Section 4;

"**Borrowers**" has the meaning given to that term in Section 3;

"**Business**" means the production, distribution and sale of dried cannabis flower, pre-rolled cannabis joints, cannabis softgel capsules and cannabis oil, and the directly related activities of the Borrowers (except Wellworth Health Corp.);

"**Business Day**" means each day other than a Saturday, Sunday or any other day on which the DIP Lender is closed for business to the public;

"**Cannabis**" includes dried marijuana, fresh marijuana, cannabis oil and starting materials with respect thereto.

"**Cannabis Laws**" means the *Cannabis Act* (Canada), the *Cannabis Control Act, 2017* (Ontario) and any other applicable Law pertaining to Cannabis-Related Activities, and the regulations thereunder.

"**Cannabis-Related Activities**" means any activities, including advertising or promotional activities, relating to or in connection with the importation, cultivation, production, purchase, distribution or sale of Cannabis or Cannabis-related products.

"**Cash Flow Variance Report**" has the meaning given to that term in Section 12;

"**CCAA**" has the meaning given to that term in the recitals;

"**CCAA Proceeding**" has the meaning given to that term in the recitals;

"**Collateral**" means all present and after-acquired assets and property of the Borrowers, real (including, without limitation, the London Property, the Non-Essential Real Property and the real property located at 510 and 566 Riverview Drive, Chatham-Kent, Ontario) and personal, tangible and intangible and all proceeds therefrom;

"**Commitment Fee**" means a commitment fee owing by the Borrowers to the DIP Lender for the establishment of the DIP Facility in the amount of $150,000, which fee shall be fully-earned on the date hereof and non-refundable;

"**Court**" has the meaning given to that term in recitals;

"**Court Order**" means an order of the Court, including the Initial Order as amended and restated by the SF DIP Order;

"**DIP Budget**" has the meaning given to that term in Section 12;

"**DIP Charge**" has the meaning given to that term in Section 15;

"**DIP Credit Documents**" means this Agreement and any other documents in respect of the DIP Facility as may be contemplated by this Agreement or required by the DIP Lender;

"**DIP Facility**" has the meaning given to that term in Section 6;

"**DIP Lender**" has the meaning given to that term in Section 5;

"**DIP Obligations**" has the meaning given to that term in Section 15;

"**Encumbrance**" means any encumbrance, lien, charge, hypothec, pledge, mortgage, title retention agreement, security interest of any nature, adverse claim, exception, reservation, easement, encroachment, servitude, restriction on use, right of occupation, any matter capable of registration against title, option, right of first offer or refusal or similar right, restriction on voting (in the case of any voting or equity interest), right of pre-emption or privilege or any contract to create any of the foregoing;

"**Event of Default**" has the meaning given to that term in Section 24;

"**Excluded Taxes**" means any of the following Taxes imposed on or with respect to the DIP Lender or any other recipient of any payment to be made by or on account of any DIP Obligations, or required to be withheld or deducted from a payment to any such recipient, (a) income, net profits, or capital taxes imposed on or measured by net income, and franchise taxes imposed (i) by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or conducts business, in which its principal office is located or in which its applicable lending office is located or (ii) that are Other Connection Taxes and (b) any branch profits taxes or any similar tax imposed by the jurisdiction where a Borrower is located;

“**Existing SF Event of Default**” means an Event of Default (as defined in the SF Loan Agreement) that exists on the date hereof;

“**Filing Date**” means the date the Initial Order was made granting the Borrowers protection under the CCAA;

“**Governmental Authority**” means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, body, board, tribunal or dispute settlement panel or other law or regulation-making organization or entity: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory, state or other geographic or political subdivision thereof; or (b) exercising, or entitled or purporting to exercise, any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power;

“**Hillmount**” means Hillmount Capital Inc.;

“**Hillmount Charge**” means the super-priority charge on the Collateral securing up to $1,000,000 pursuant to the Hillmount Commitment Letter in favour of the Hillmount effected by the Initial Order;

“**Hillmount Commitment Letter**” means the commitment letter dated November 27, 2019 between the Borrowers and Hillmount;

“**Indebtedness**” of any Person means, at any date, without duplication, (a) all obligations of such Person for borrowed money, including by way of overdraft and drafts or orders accepted as representing extensions of credit, (b) all obligations of such Person evidenced by bonds, debentures, the face amount of all bankers’ acceptances, letters of credit, letters of guarantee and similar instruments, notes, letters of credit or other similar instruments, including obligations under any arrangement providing for the leasing of any property, which property has been or is to be sold or transferred in contemplation of such leasing, (c) all obligations of such Person to pay the deferred purchase price of property or services, (d) all obligations of such Person as lessee which are capitalized in accordance with generally accepted accounting principles (or other applicable accounting standards) consistently applied in Canada, (e) all indebtedness, liabilities and obligations secured by an Encumbrance on any asset of such Person, whether or not the same is otherwise indebtedness, liabilities or obligations of such Person, which, for greater certainty will not include rent paid or payable by such Person in the ordinary course, (f) all indebtedness, liabilities and obligations of others which is, directly or indirectly, guaranteed by such Person or which such Person has agreed (contingently or otherwise) to purchase or otherwise acquire, (g) all indebtedness, liabilities and obligations in respect of financial instruments which are classified as a liability on the balance sheet of such Person, (h) all obligations of such Person to otherwise assure a creditor against loss, (i) all hedging obligations and (j) all obligations of such Person for trade accounts and contracts;

"**Indemnified Persons**" has the meaning given to that term in Section 28;

"**Indemnified Taxes**" means (a) Taxes other than Excluded Taxes and (b) to the extent not otherwise described in (a), Other Taxes;

"**Initial Advance**" means the advance of $2,000,000 made on December 13, 2019 by the DIP Lender to [the Borrowers] pursuant to the Term Sheet;

"**Initial Order**" means the order of the Court dated December 2, 2019 in the CCAA Proceeding;

"**Interest Payment Date**" has the meaning given to that term in Section 10;

"**Interest Rate**" has the meaning given to that term in Section 10;

"**Law**" means any federal, provincial, county, territorial, district, municipal, local, foreign, supranational or international. law, statute, ordinance, regulation, by-law, rule, code, treaty or rule of common law or otherwise of, or any order, judgment, injunction, decree or similar authority enacted, issued, promulgated, enforced or entered by, any Governmental Authority;

"**Loan Amount**" has the meaning given to that term in Section 6;

"**London Property**" means the real property described on Schedule C, including the real property having the following municipal address: 1095 Wilton Grove Road, London, Ontario;

"**Maturity Date**" has the meaning given to that term in Section 17;

"**Monitor**" means Ernst & Young Inc., as the Court-appointed Monitor of the Borrowers in the CCAA Proceeding;

"**Net Proceeds**" means the applicable gross sale price, less applicable Taxes, customary closing adjustments, reasonable legal expenses for conveyancing of the applicable real property and realty commissions commensurate with industry standards, all subject to DIP Lender approval;

"**New SF Event of Default**" means an Event of Default (as defined in the SF Loan Agreement) that is not an Existing SF Event of Default;

"**Non-Essential Real Property**" means the real property described on Schedule D, including the real property having the following municipal addresses: 650 Riverview Drive, Chatham-Kent, Ontario, 715 Richmond Street, Chatham-Kent, Ontario and 830 Richmond Street, Chatham-Kent, Ontario;

"**Other Connection Taxes**" means, with respect to the DIP Lender and any other recipient of any payment to be made by or on account of any DIP Obligations, Taxes imposed as a result of a present or former connection between such recipient and the jurisdiction imposing the Tax (other than a connection arising from the execution, delivery, enforcement of, or performance under, or receipt of payments under any DIP Credit Document, or from the sale or assignment of an interest in any Advance or DIP Credit Document).

"**Other Taxes**" means any and all present or future stamp, recording, filing, documentary or similar taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other DIP Credit Document or from the execution, delivery or enforcement of, or performance under or otherwise with respect to this Agreement or any other DIP Credit Document (other than Excluded Taxes and Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 33)).

"**Permitted Encumbrance**" means Permitted Exceptions (as defined in the SF Loan Agreement) and Permitted Liens (as defined in the SF Loan Agreement) that exist on the Amended Filing Date, together with Encumbrances on the Collateral in favour of Stone Quest Capital Corp. and Kathleen Glynn Philipp that exist, and securing amounts that were outstanding, on the Amended Filing Date;

"**Permitted Fees and Expenses**" has the meaning given to that term in Section 11;

"**Person**" means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, Governmental Authority, and where the context requires, any of the foregoing when they are acting as trustee, executor, administrator or other legal representative;

"**Pre-Existing Debt**" has the meaning given to that term in Section 23(c);

"**Priority Payables**" means harmonized sales tax, sales Tax and any amount payable or accrued by the Borrowers which is secured by an Encumbrance (other than Administration Charge) which ranks or is capable of ranking prior to or *pari passu* with the DIP Charge, including amounts accrued or owing for wages, vacation pay, termination pay (only where it is a priority payable), employee deductions, or Taxes, and other statutory or other claims that have or may have priority over, or rank *pari passu* with, the DIP Charge;

"**Project**" has the meaning given to it in the SF Loan Agreement;

"**Second Advance**" means the initial Advance under this Agreement;

"**SF DIP Order**" means the amended and restated initial order of the Court dated December 12, 2019 in the CCAA Proceeding;

"**SF Loan Agreement**" means the loan agreement dated as of May 31, 2019 by and among 2472602 Ontario Inc., 2642466 Ontario Inc., AgMedica Bioscience Inc. and SF V Bridge III, LP, as amended or otherwise modified;

"**SF Loan Documents**" means the SF Loan Agreement and the other Loan Documents (as defined in the SF Loan Agreement);

"**SF Security**" means the Encumbrances on the Collateral granted to SF V Bridge III, LP as security for the obligations owing to SF V Bridge III, LP under or in connection with the SF Loan Documents;

"**Tax**" and "**Taxes**" means any taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever imposed by any Governmental Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in respect thereof, and including those levied on, or measured by, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, excise, withholding, business, franchising, property, development, occupancy, payroll, health, social services, education, employment and all social security taxes, all surtaxes, all customs, duties and import and export taxes, countervail and anti-dumping, all licence, franchise and registration fees and all employment insurance, health insurance and Canada, and other government pension plan premiums or contributions;

"Term Sheet" means the term sheet dated December 10, 2019 between the parties hereto; and

"**Updated Cash Flow**" has the meaning given to that term in Section 12.

SCHEDULE B

DIP BUDGET

(See attached)

AgMedica Bioscience Inc.
Cash Flow Forecast for the period December 16, 2019 to March 13, 2020

(CDN)		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Total
Week Ending	Note	**20-Dec-19**	**27-Dec-19**	**3-Jan-20**	**10-Jan-20**	**17-Jan-20**	**24-Jan-20**	**31-Jan-20**	**7-Feb-20**	**14-Feb-20**	**21-Feb-20**	**28-Feb-20**	**6-Mar-20**	**13-Mar-20**	
Consolidated															
Opening Available Cash		770,025	1,656,766	1,269,039	674,792	860,080	1,010,573	1,097,320	1,187,539	843,962	1,128,876	982,069	1,135,203	773,052	**770,025**
Receipts															
Sales receipts	1	46,704	27,701	62,891	511,228	705,798	234,223	705,768	232,382	1,010,961	202,868	766,050	656,605	150,915	**5,314,094**
HST Refunds	2	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Other receipts	3	5,853	23,547	132,078	5,853	-	-	24,024	132,078	5,853	-	24,024	48,458	5,853	**407,622**
Total Receipts		52,557	51,248	194,969	517,081	705,798	234,223	729,792	364,460	1,016,814	202,868	790,074	705,064	156,768	**5,721,716**
Disbursements															
Production Costs	4	257,192	53,596	42,877	42,877	42,877	42,877	42,877	53,596	53,596	53,596	53,596	53,596	53,596	**846,750**
Payroll and expenses	5	357,176	-	237,176	-	317,176	-	237,176	-	237,176	80,000	237,176	-	237,176	**1,940,231**
Remittance to Receiver General	6	-	130,505	-	130,505	-	-	130,505	-	130,505	-	130,505	-	130,505	**783,031**
EHT and WSIB	7	8,596	-	10,280	-	8,596	-	10,280	-	-	8,596	10,280	-	-	**56,630**
Group Benefits	8	-	-	35,000	-	-	-	-	35,000	-	-	-	35,000	-	**105,000**
Royalties and Commissions	9	-	26,000	52,000	-	-	-	-	52,000	200,000	-	-	52,000	-	**382,000**
Selling, General & Admininstrative	10	100,000	67,123	76,134	53,698	53,698	53,698	73,698	67,123	67,123	67,123	67,123	84,123	4,300	**834,962**
Rent, Utilities, Insurance	11	7,700	1,751	57,463	64,713	3,500	10,901	-	123,551	3,500	10,901	-	123,418	3,500	**410,895**
Fixed Assets and capital expenditures	12	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Duties and Taxes	13	140,424	-	-	-	-	-	-	127,080	-	-	-	469,390	-	**736,893**
Funding Agreements and contractual commitments	14	89,458	-	1,000,000	-	89,458	-	-	-	-	89,458	-	-	-	**1,268,375**
Restructuring Costs	15	-	160,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	**600,000**
DIP Interest Payments, Legal Fee, and Commitment Fee	16	200,000	-	33,250	-	-	-	-	33,250	-	-	-	33,250	-	**299,750**
SF V Bridge III, LP Secured Debt	17	81,319	-	105,037	-	-	-	105,037	-	-	-	98,260	-	-	**389,652**
StoneQuest Secured Debt	17	-	-	-	-	-	-	-	76,438	-	-	-	76,438	-	**152,877**
Philipp Secured Debt	17	123,952	-	100,000	-	-	-	-	100,000	-	-	-	100,000	-	**423,952**
Total Disbursements		1,365,817	438,974	1,789,217	331,793	555,305	147,475	639,573	708,038	731,900	349,674	636,940	1,067,214	469,077	**9,230,998**
															-
Net Cash flow from Operations		(1,313,260)	(387,726)	(1,594,247)	185,288	150,493	86,748	90,219	(343,577)	284,914	(146,806)	153,134	(362,151)	(312,309)	**(3,509,282)**
DIP Draw/(Payback) for Operations		2,200,000	-	1,000,000	-	-	-	-	-	-	-	-	-	-	**3,200,000**
Closing Cash / (Indebtedness)		**1,656,766**	**1,269,039**	**674,792**	**860,080**	**1,010,573**	**1,097,320**	**1,187,539**	**843,962**	**1,128,876**	**982,069**	**1,135,203**	**773,052**	**460,744**	**460,744**
Hillmount DIP Facility															
Opening Balance		1,000,000	-	-	-	-	-	-	-	-	-	-	-	-	1,000,000
Draw/(Payback) for Operations		(1,000,000)	-	-	-	-	-	-	-	-	-	-	-	-	(1,000,000)
Closing Balance		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Replacement DIP Facility															
Opening Balance		-	3,200,000	3,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	-
Draw/(Payback) for Operations		3,200,000	-	1,000,000	-	-	-	-	-	-	-	-	-	-	4,200,000
Closing Balance		3,200,000	3,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000

SCHEDULE C

LONDON PROPERTY

Part Lot 13 and Part North ½ Lot 12 Concession 3; Designated Part 2, 33R3843; London/Westminster

SCHEDULE D

NON-ESSENTIAL REAL PROPERTY

650 Riverview Drive, Chatham, Ontario - Legal Description:

PIN 00528-0218(LT)

PT LT 19 CON 1 RALEIGH, DESIGNATED AS PTS 1 & 2 PL 24R5827 EXCEPT PT 5 PL 24R1370 & PTS 1 & 2 PL 24R10089; SUBJECT TO AN EASEMENT AS IN 277488; MUNICIPALITY CHATHAM-KENT

715 Richmond Street, Chatham, Ontario - Legal Description:

PIN 00528-0006(LT)

PT LT 20 CON 1 RALEIGH AS IN 628944 EXCEPT EASEMENT THEREIN; CHATHAM-KENT

830 Richmond Street, Chatham, Ontario - Legal Description:

PIN 00527-0019(R)

PT LT 20 CON 1 EASTERN BOUNDARY RALEIGH AS IN 586356; CHATHAM-KENT

APPENDIX “D”
EIGHTH REPORT

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")**

EIGHTH REPORT OF THE MONITOR
DATED JULY 31, 2020

INTRODUCTION

1. On December 2, 2019 (the "**Filing Date**"), 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 (the "**CCAA**") that, among other things, granted a stay of proceedings against the Applicants for an initial 10-day period (the "**Stay Period**"), appointed Ernst & Young Inc. as monitor of the Applicants (in such capacity, the "**Monitor**"), granted certain Court-ordered charges (the "**Charges**"), and approved certain interim financing. The Applicants commenced these proceedings (the "**CCAA Proceedings**") to allow them an opportunity to restructure their business and affairs.

2. On December 12, 2019, the Court granted an order (the "**Amended and Restated Initial 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**"), one of the Applicants' existing 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 ("**CBRE**") by the Applicants and authorizing the Applicants to market and sell four properties that were not being used in the Applicants' operations, which are referred to as the Non-Core Real Estate (as defined in the Non-Core Real Estate Order), with the assistance of the Monitor.

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

a) an order approving the definitive DIP loan agreement between the Applicants and Stabilis dated as of December 20, 2019 (the "**DIP Facility Loan Agreement**"); and

b) an order (the "**SISP Order**") approving the Applicants' sale and investment solicitation process (the "**SISP**").

5. On February 4, 2020, the Court granted an order approving the claims process (the "**Claims Process**") proposed by the Applicants (the "**Claims Procedure Order**").

6. On February 21, 2020, the Court granted:

a) an approval and vesting order with respect to the sale of one of the Non-Core Real Estate properties, 650 Riverview Drive, Chatham-Kent, Ontario ("**650 Riverview**"); and

b) a distribution order authorizing and directing the Applicants to make certain distributions of the proceeds from the sale of 650 Riverview to Stabilis on account of the DIP Facility and the pre-filing secured loan to certain of the Applicants from Stabilis (the "**Stabilis Facility**").

7. On March 9, 2020, the Court granted:

   a) an approval and vesting order with respect to the sale of another of the Non-Core Real Estate properties, 1095 Wilton Grove Road, London, Ontario (the "**London Property**");

   b) a distribution order authorizing and directing the Applicants to make certain distributions of the proceeds from the sale of London Property to Stabilis on account of the DIP Facility and the pre-filing secured loans to certain of the Applicants from Stone Quest Capital Corporation (the "**Stone Quest Facility**") and Kathleen Glynn Philipp (the "**Philipp Facility**"); and

   c) an order extending the Stay Period to June 30, 2020 and approving the Applicants' key employee retention program.

8. On June 26, 2020, the Court granted:

   a) an approval and vesting order with respect to the sale of another of the Non-Core Real Estate properties, 830 Richmond Street, Chatham-Kent, Ontario ("**830 Richmond**");

   b) an approval and vesting order with respect to the sale of the final Non-Core Real Estate property, 715 Richmond Street, Chatham-Kent, Ontario ("**715 Richmond**"); and

   c) an order:

      i. extending the Stay Period up to and including September 11, 2020;

      ii. authorizing and directing the Applicants to make certain distributions of the proceeds from the sales of 830 Richmond and 715 Richmond to Stabilis on account of the Stabilis Facility; and

      iii. terminating the SISP.

PURPOSE

9. The purpose of this eighth report of the Monitor (the "**Eighth Report**") is to provide information to the Court on:

   a) the status of the Applicants' business and financial affairs and their restructuring efforts to date;

   b) the status of the Claims Process;

   c) the Recapitalization Transaction proposed by the Applicants;

   d) the proposed plan of compromise and arrangement filed by the Applicants dated July 29, 2020 (the "**Plan**");

   e) the alternative to the Plan;

   f) certain matters relating to the vote on the Plan; and

   g) the Monitor's recommendation with respect to the Applicants' motion for:

      i. an order (the "**Meeting Order**"), among other things: accepting the filing of the Plan; authorizing the Applicants to establish a single class of Affected Creditors for the purposes of considering and voting on the Plan; authorizing the Applicants to call, hold, and conduct a virtual meeting of the Affected Creditors to consider and vote on a resolution to approve the Plan; approving the procedures to be followed in connection with the Meeting; and setting the date for the Sanction Hearing in the event that the Plan is approved by the required majority of Affected Creditors at the Meeting; and

      ii. an order (the "**Late Claims and Sealing Order**"), among other things: authorizing the Applicants and the Monitor to accept the late filing of the Late Claims (as defined herein); and sealing Confidential Exhibit "B" to the Affidavit of Trevor Henry sworn July 29, 2020 (the "**Henry Affidavit**") which contains the identities of the Equity Subscribers.

TERMS OF REFERENCE

10. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Plan. A copy of the Plan is attached as **Appendix "A"**.

11. In preparing this Eighth 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 Eighth Report in respect of the Liquidation Analysis:

    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 Eighth 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.

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

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

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

BACKGROUND AND OVERVIEW OF THE APPLICANTS AND RESTRUCTURING

15. Due to the short timing between this Eighth Report and the meeting of creditors (the "**Creditors' Meeting**"), the Monitor has included details of the company's business and financial affairs and its restructuring efforts in this section of the Eighth Report, to report to the Court as required under section 23(d.1) of the CCAA and therefore does not intend to submit an additional report to the Court prior to the Creditors' Meeting, unless required to on other matters or upon request of the Court.

16. The purpose of this section of the Eighth Report is to provide certain history and context that will assist in understanding the impact of the proposed Plan on the various stakeholders of the Applicants.

Corporate Structure and Business

17. The principal operating entity among the Applicants is AgMedica Bioscience Inc. ("**AgMedica**"), which is a licensed producer of cannabis in accordance with the *Cannabis Act* (Canada) and the *Cannabis Regulations* (Canada). 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.

18. 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).

19. Through its subsidiary, Wellworth Health Corp. ("**Wellworth**"), AgMedica offered a telehealth-style service, assisting patients through an online portal, by phone or through kiosks at partner locations.

20. 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.

Capital Structure at Filing

21. Below is a summary of the secured debt owing by the Applicants as of the Filing Date, which is detailed further in the affidavit of Trevor Henry sworn December 1, 2019 (the "**December Henry Affidavit**"), a copy of which, without exhibits, is attached hereto as **Appendix "B"**:

a) **Stabilis Facility –** Pursuant to a loan agreement dated May 31, 2019 between 2472602 Ontario Inc. ("**2472602**"), 2642466 Ontario Inc. ("**2642466**"), AgMedica and Stabilis, Stabilis provided the Stabilis Facility in the maximum principal amount of US$8,131,863 at an interest rate of 12% per annum, for a term of one year, maturing on May 31, 2020. As at the Filing Date, the Stabilis Facility was not in default as all interest amounts were paid to the Filing Date. The Stabilis Facility was secured by first-ranking mortgages against 650 Riverview, 715 Richmond and 830 Richmond.

b) **Stone Quest Facility –** Pursuant to a commitment letter dated April 26, 2019 between 2472602, AgMedica and Stone Quest, Stone Quest provided the Stone Quest Facility in the maximum principal amount of $5,000,000 at an interest rate of 18% per annum, for an initial term of six months. Pursuant to a subsequent amendment, the principal amount owing was reduced to $4,000,000 and the term was extended to December 31, 2019. As at Filing Date, the Stone Quest Facility was not in default as all interest amounts were paid to the Filing Date, plus interest up to December 31, 2019. The Stone Quest Facility was secured by a first-ranking mortgage against the London Property and general security agreements ("**GSAs**") over all of the present and after-acquired personal property of both AgMedica and 2472602. Pursuant to a subordination and postponement agreement between Stone Quest, Philipp and AgMedica dated October 23, 2019, Stone Quest's security over the personal property of AgMedica is subordinated to Philipp's security under the Philipp Facility.

c) **Philipp Facility –** Pursuant to a loan agreement dated October 23, 2019 between, among others, AgMedica and Philipp, Philipp provided the Philipp Facility in the maximum principal amount of US$3,816,000 at an interest rate of 24% per annum for a term of 3 months, maturing on January 23, 2020. As at the Filing Date, the Philipp Facility was not in default as all interest amounts were paid to the Filing Date. The Philipp Facility was secured by a second-ranking mortgage over the London Property and a first-ranking GSA over all of the present and after-acquired personal property of AgMedica.

22. Below is a summary of certain unsecured debt owing by the Applicants as of the Filing Date, which is detailed further in the December Henry Affidavit:

a) **Convertible Debentures –** AgMedica issued three tranches of unsecured convertible debentures prior to the Filing Date (the "**Convertible Debentures**"). The Convertible Debentures accrue interest prior to conversion at a rate of 7%, compounded quarterly and paid semi-annually. As at the Filing Date, the amount owing under the Convertible Debentures was approximately $3,902,000.

b) **Unsecured Notes –** AgMedica issued three unsecured promissory notes prior to the Filing Date (the "**Unsecured Notes**") in the aggregate amount of $3,000,000. The Unsecured Notes accrue interest at a rate of 12% per annum and matured in early 2020. As at the Filing Date, the amount owing under the Unsecured Notes was approximately $3,300,000.

c) **Founder Notes –** AgMedica issued five unsecured promissory notes to its founders (the "**Founder Notes**") between September and October 2019 in the aggregate amount of $1,200,000. The Founder Notes accrue interest at a rate of 12% per annum. As at the Filing Date, the amount owing under the Unsecured Notes was approximately $1,231,000.

Circumstances Leading to the Applicants' CCAA Filing

23. As detailed further in the December Henry Affidavit, the Applicants were facing a liquidity crisis at the time of the Filing Date. The Applicants' liquidity issues were caused by a combination of various factors including:

a) external unfavourable factors that are affecting the entire cannabis industry, including price competition with the illicit market, challenges with the roll-out of retail models across the country, and learning curves to adjust product mix to match customer demands;

b) unfavourable performance in the capital markets led to the retraction of capital raised from public investors to complete an initial public offering; and

c) a proposed debt financing package, which required exclusivity during the negotiation phase, fell through in late October 2019 due to, among other things, the capital market conditions for the cannabis sector.

24. The Applicants developed a cash flow forecast in early November 2019 which indicated that, as a result of the unfavourable situation above, AgMedica would run out of cash in early December 2019.

25. AgMedica began seeking interim debtor-in-possession financing ("**DIP Financing**") from various lenders in November 2019 and secured interim DIP Financing from Hillmount Capital Inc. ("**Hillmount**"). Hillmount was eventually replaced by Stabilis as the DIP Lender pursuant to the Amended and Restated Initial Order. With interim DIP Financing secured, the Applicants commenced the CCAA Proceedings on December 2, 2019 in order to maintain the *status quo* and obtain the breathing room required to pursue and implement their restructuring strategy.

26. As detailed further in the December Henry Affidavit, this restructuring strategy included the Applicants:

a) restructuring their balance sheet and deleverage the business;

b) restructuring AgMedica's operations by focusing efforts on expanding production capacity and reducing input costs with respect to the production of cannabis products at the main operating facility at 566 Riverview Drive, Chatham-Kent, Ontario ("**566 Riverview**");

c) selling the Non-Core Real Estate in order to generate liquidity and deleverage the business; and

d) conducting a court-supervised sales process and pursue strategic alternatives that would allow AgMedica to emerge from the CCAA Proceedings as a going concern.

Operational Restructuring of the Applicants

27. AgMedica has proceeded to implement this restructuring strategy during the course of the CCAA proceedings. Since the Filing Date, AgMedica has continued to operate as a going concern, in particular:

a) the Applicants have not had any interruptions in operations or to their business;

b) the Applicants have not lost any major customers; and

c) the sales volumes, prior to COVID-19 impacts, have been within the expectations of Management.

28. Since the Filing Date, AgMedica has taken steps to restructure its business and significantly reduce its cost structure, including through disclaiming or otherwise terminating contracts no longer required for the business. Management believes that AgMedica has a go-forward business plan that is viable if there is an injection of capital that can support the business plan.

29. As part of the operational restructuring efforts, the operations of Wellworth were terminated along with its related contracts, leases and remaining employees.

30. The COVID-19 pandemic has indirectly impacted AgMedica as the retail operations of its customer base were disrupted by provincial government closure orders. With supressed

sales during the pandemic, AgMedica has been able to manage its operational costs and utilize government subsidies and deferrals in order to maintain its cash position within the availability of the DIP Facility. AgMedica anticipates that sales will increase as provincial governments continue to further relax the social distancing and other measures that were imposed.

Sale of Non-Core Real Estate and Other Assets

31. The Non-Core Real Estate consisted of industrial properties that were originally purchased to provide for the planned expansion of the Applicants' business. However, the Applicants' strategic direction changed after purchasing the Non-Core Real Estate due to shifting market conditions and the Applicants decided to focus their efforts on expanding production capacity and reducing input costs at 566 Riverview. The Non-Core Real Estate was never converted to production facilities and was determined to be a non-core and non-essential asset of the Applicants.

32. Pursuant to the Non-Core Real Estate Order, the Applicants engaged CBRE to market and list the Non-Core Real Estate. The Applicants have successfully completed the sale of, or have entered into agreements for the sale of, each of the Non-Core Real Estate. More specifically:

a) **650 Riverview**: As detailed further in the Fifth Report of the Monitor dated February 20, 2020, the Applicants entered into an agreement of purchase and sale with respect to 650 Riverview dated January 31, 2020, which was approved by this Court on February 21, 2020 and closed on March 3, 2020. A copy of the Monitor's Certificate in connection with the closing of this transaction is attached as **Appendix "C"**.

b) **London Property**: As detailed further in the Sixth Report of the Monitor dated March 5, 2020 and the Supplement to the Sixth Report of the Monitor dated March 9, 2020, the Applicants entered into an agreement of purchase and sale with respect to the London Property dated December 2, 2019, as amended by an amendment dated March 6, 2020, which was approved by this Court on March 9, 2020 and closed on May 29,

2020. A copy of the Monitor's Certificate in connection with the closing of this transaction is attached as **Appendix "D"**.

c) **830 Richmond**: As detailed further in the Seventh Report of the Monitor dated June 24, 2020 (the "**Seventh Report**"), the Applicants entered into an agreement of purchase and sale with respect to 830 Richmond dated June 5, 2020, which was approved by this Court on June 26, 2020 and closed on July 3, 2020. A copy of the Monitor's Certificate in connection with the closing of this transaction is attached as **Appendix "E"**.

d) **715 Richmond**: As detailed further in the Seventh Report, the Applicants entered into an agreement of purchase and sale with respect to 715 Richmond dated June 15, 2020, which was approved by this Court on June 26, 2020 and is currently scheduled to close on August 6, 2020.

33. Additionally, the Applicants reviewed their existing operations and equipment to determine items that were not needed for their current or anticipated day-to-day operations.

34. As detailed further in the Third Report of the Monitor dated January 22, 2020, the Applicants entered into an agreement dated January 14, 2020 to sell a certain type of LED lights that were not required for their current operations (the "**Surplus Lights**"), which was approved by this Court on January 27, 2020 and closed on February 13, 2020. A copy of the Monitor's Certificate in connection with the closing of this transaction is attached as **Appendix "F"**.

35. As detailed further in the Seventh Report, an auction for certain surplus and idle equipment and supplies, such as grow mediums, packaging inventory and excess construction material (the "**Non-Core Assets**") occurred on June 18, 2020 and aggregate gross proceeds in the amount of $375,795 were realized.

36. The sale of the Non-Core Real Estate and these other surplus assets permitted the Applicants to significantly pay down the DIP Facility and the other secured indebtedness outlined above, pursuant to the DIP Facility Loan Agreement, the Amended and Restated Initial Order and the distribution orders issued by this Court. In aggregate, AgMedica has

made distributions of $4,770,000 to pay down the DIP Facility and distributions of $14,539,901 to pay down the pre-filing secured indebtedness. More specifically:

a) on closing of the sale of 650 Riverview, $2,000,000 was distributed to Stabilis on account of the DIP Facility and USD $3,185,133 (CAD $4,332,612) was distributed to Stabilis on account of the Stabilis Facility;

b) on closing of the sale of the Surplus Lights, $510,000 was distributed to Stabilis on account of the DIP Facility;

c) on closing of the sale of the London Property, $2,000,000 was distributed to Stabilis on account of the DIP Facility, $4,198,574.22 was distributed to Stone Quest in full satisfaction of the Stone Quest Facility and $700,825.58 was distributed to Philipp on account of the Philipp Facility;

d) on closing of the sale of 830 Richmond, USD $1,133,769 (CAD $1,548,520) was distributed to Stabilis on account of the Stabilis Facility;

e) on closing of the sale of 715 Richmond, it is anticipated that USD $3,007,496 (CAD $3,759,371) will be distributed to Stabilis on account of the Stabilis Facility; and

f) on completion of the auction for Non-Core Assets, $260,000, was distributed to Stabilis on account of the DIP Facility.

37. Following these distributions:

a) the aggregate outstanding amount under the DIP Facility as of September 1, 2020 will be approximately USD $2,664,498;

b) the aggregate outstanding amount under the Stabilis Facility as of September 1, 2020 will be approximately USD $805,465;

c) the Stone Quest Facility has been repaid in full; and

d) the aggregate outstanding amount under the Philipp Facility as of September 1, 2020 will be approximately USD $3,978,000.

38. The Applicants have continued to pay interest due under the Stabilis Facility monthly since the Filing Date and intend to continue doing so until the Plan Implementation Date.

39. With the uncertainty of the extensive impact of COVID-19, the Applicants notified both Stone Quest and Philipp in March 2020 that payment of their interest would be deferred until further notice. Interest on the Philipp Facility has continued to accrue since that date and is secured by its security interest over the personal property of AgMedica. The Plan contemplates that the interest validly accrued under the Philipp Facility will be paid out in full.

Sale and Investment Solicitation Process

40. As outlined further in the Seventh Report, the Applicants, with the assistance of the Monitor, undertook an extensive canvassing of the market in the SISP and contacted 349 prospective parties. The COVID-19 pandemic negatively impacted the results of the SISP, as potential bidders (i) were hindered in their ability to perform due diligence due to travel bans and other social distancing measures, (ii) faced business disruptions within their own operations, and (iii) were negatively impacted by the disruption in the global economy and capital markets.

41. While a number of non-binding letters of interest were received by the extended Phase 1 Bid Deadline (as defined in the SISP Order) of March 27, 2020, only one binding offer was received by the extended Phase 2 Bid Deadline (as defined in the SISP Order) of May 21, 2020. The Applicants, with the assistance of the Monitor, entered into negotiations with the bidder to improve its bid. The Applicants, in consultation with the Monitor and the DIP Lender, reviewed and evaluated the revised bid submitted by the bidder and determined that the bid would not be sufficient for a successful restructuring and, based on its structure, would not lead to a plan of arrangement that would likely be accepted by the unsecured creditors of the Applicants. The Applicants, in consultation with the Monitor and the DIP Lender, determined that it would be in the best interest of the Applicants and their stakeholders to not accept the bid and pursue alternative transactions. The Court authorized the Applicants to terminate the SISP on June 26, 2020.

42. The efforts by the Applicants to pursue alternative transactions have rapidly led to the Recapitalization Transaction and the Plan described further below.

CLAIMS PROCESS

Status of Claims Process

43. Attached as **Appendix "G"** is the status of claims filed against the Applicants pursuant to the Claims Procedure Order as at July 27, 2020 (the "**Claims Summary**"). All claim amounts are listed in Canadian dollars using the daily average exchange rate published by the Bank of Canada on December 2, 2019 (the date the CCAA Proceedings were commenced).

44. To date, 222 claims with a cumulative value of approximately $67.0 million have been filed. The Monitor, in conjunction with the Applicants, has reviewed all 222 claims filed to date.

45. As at the date of this Eighth Report, the Monitor has provisionally accepted 178 claims, comprised of unsecured claims with a value of approximately $23.7 million and secured claims with a value of approximately $5.1 million. There is one unsecured claim and one secured claim which are disputed in part for which $189,194 and $4,433,913 of such claim, respectively, has been accepted. Therefore, the total amount of unsecured claims accepted to date is $23.9 million and the total amount of secured claims accepted to date is $9.5 million. The secured claim values have been, and will continue to be, amended following distributions from the sale of the Non-Core Real Estate.

46. There are 11 claims that have been partially or fully disallowed or withdrawn with a value of approximately $15.1 million. This includes claims that have been partially or fully disallowed or withdrawn as a result of distributions to Stabilis, Stone Quest and Philipp following the sale of Non-Core Real Estate, as set out above.

47. There are eight (8) claims that have either been partially or fully disallowed and a Notice of Dispute has been filed by the claimant. The total amount currently under dispute is

approximately $17.0 million. The Applicants and the Monitor continue to work to resolve these disputes as expeditiously and efficiently as possible.

48. There are 14 claims that are still being reviewed by the Applicants. 10 of these claims were placeholder claims filed by the Canada Revenue Agency ("**CRA**") which did not specify a claim amount on the basis that the claim amount could not be properly determined until the CRA had completed certain audits of the Applicants. As a result of the disruptions caused by COVID-19, CRA has indicated that the audits that are necessary to finalize its claims have been significantly delayed. The Applicants and the Monitor have engaged, and continue to engage, with the CRA to assist the CRA in resolving its claims as expeditiously and efficiently as possible.

Acceptance of Late Claims

49. The Claims Procedure Order did not grant the Monitor discretion to extend the claims bar date (the "**Claims Bar Date**") for Pre-Filing Claims or Restructuring Claims (as defined in the Claims Procedure Order).

50. To date, the Monitor has received 10 proofs of claim after the relevant Claims Bar Date totalling $349,781.88 (the "**Late Claims**").

51. On this motion, the Applicants are seeking an order from this Court authorizing the Applicants and the Monitor to accept the late filing of the Late Claims. The Applicants and the Monitor have reviewed the Late Claims and will be able to make a determination on the Late Claims quickly should the proposed Late Claims and Sealing Order be granted by this Court. The Monitor does not anticipate that acceptance of the Late Claims will delay the ability of the Applicants to proceed with holding the Creditors' Meeting and implementing the Plan.

52. It is the Monitor's understanding that all of the Late Claims are Pre-Filing Claims and were filed within one month of the Pre-Filing Bar Date. The Monitor understands that some of these claimants only became aware that they may have a Pre-Filing Claim subsequent to the Pre-Filing Claims Bar Date and thus did not intentionally miss the Pre-Filing Claims

Bar Date. The Monitor is satisfied that accepting the filing of the Late Claims will not unduly prejudice the other Affected Creditors.

53. Accordingly, the Monitor recommends that the that Court approve this request to accept the Late Claims, if it sees fit to do so.

RECAPITALIZATION TRANSACTION

54. Since the Seventh Report, the Applicants began efforts to seek alternative investment and recapitalization transactions with respect to AgMedica. As noted above, through these CCAA Proceedings, the Applicants have been able to reduce their secured debt significantly and right-size their operational cost structure. In order to complete the restructuring, the Applicants needed to secure new financing to retire the remainder of their secured debt and to provide working capital for their operational needs going forward.

55. Management has focused on sourcing a recapitalization transaction consisting of new equity and debt (the "**Recapitalization Transaction**") as follows:

a) AgMedica issuing 400,000,000 Class A Preferred Shares to certain investors (the "**Equity Subscribers**") at a price of $0.01 per share in order to raise the aggregate amount of $4,000,000 (the "**Offering**"), the proceeds of which will be used to fund the Plan, repay a portion of the Secured Claims and fund the Applicants' working capital requirements following the Plan Implementation Date; and

b) AgMedica entering into a secured debt facility agreement (the "**Secured Exit Facility Agreement**") with AgriRoots Capital Management Inc. ("**AgriRoots**"), pursuant to which AgriRoots will provide the Applicants with a secured credit facility in the maximum principal amount of $10,000,000 (the "**Secured Exit Facility**"), subject to the terms of the Secured Exit Facility Agreement, which will be used to repay a portion of the Secured Claims and fund the Applicants' working capital requirements and certain capital expenditures following the Plan Implementation Date.

56. The following is a summary of certain key terms of the Offering:

a) the Equity Subscribers were required to provide 10% of their respective subscription amounts as a deposit, with the remainder of the subscription amount to be paid on or before the Plan Implementation Date;

b) each of the Class A Preferred Shares will entitle the holder to one vote per share and will vote together with the Common Shares of AgMedica;

c) in a liquidation, the Class A Preferred Shares will take precedence over the Common Shares and the Class B Preferred Shares with respect to any distribution; and

d) the Class A Preferred Shares will automatically convert to Common Shares upon the redemption of Class B Preferred Shares, described further herein.

57. The following is a summary of certain key terms of the Secured Exit Facility Agreement:

a) the Secured Exit Facility will be secured by a first charge over 566 Riverview and all present and after-acquired assets and property of the Applicants;

b) a term of three (3) years and an annual interest rate of 12%, payable monthly;

c) in addition to the monthly interest payments, the Applicants will be required to make monthly principal payments of $50,000 during the first year, and $75,000 during the second and third years; and

d) the Applicants will pay an arrangement fee of 2% and a lender's fee of 1.5% of the maximum principal amount of the Secured Exit Facility to AgriRoots.

58. The proposed Recapitalization Transaction is conditional upon the Court approving both the Recapitalization Transaction and the Plan.

59. The Equity Subscribers each provided 10% of their respective subscription amounts as a deposit, totalling $400,000, which are currently being held by the Monitor in trust. The Monitor has been advised by the Applicant that the Secured Exit Facility is fully committed and available to fund on the Plan Implementation Date.

60. The Monitor has been consulted throughout the process of pursuing and negotiating the Offering and the Secured Exit Facility Agreement. The proposed Recapitalization Transaction will provide sufficient funds to repay the DIP Facility, the Stabilis Facility and the Philipp Facility in full and fund the working capital requirements of AgMedica after the Plan Implementation Date.

61. The Monitor has reviewed the restructuring business plan of AgMedica, and based on this information, is satisfied that the proposed Recapitalization Transaction will provide AgMedica with the opportunity to continue as a going concern upon emergence of the CCAA Proceedings. As set out further below, the Monitor believes that the emergence of AgMedica from the CCAA Proceedings as a going concern is ultimately a better outcome for the creditors of AgMedica and its other stakeholders than a liquidation.

OVERVIEW OF THE PLAN

62. While this Eighth Report summarizes key aspects of the Plan below, creditors are advised to carefully read the Plan in full. Should there be any discrepancy between the summary contained herein and the Plan, the Plan shall govern.

63. The Plan, provides, among other things, for the coordinated restructuring and recapitalization of the Applicants which will provide the Applicants with a stronger financial foundation and sufficient working capital to emerge from the CCAA Proceedings as a going concern business. The Plan contemplates payment in full of all amounts owing to the DIP Lender, Secured Creditors and other priority claims and provides for a distribution to the Affected Creditors of the Applicants. As set out further below, Affected Creditors will have an election of three different distribution options under the Plan and the potential recovery for Affected Creditors will be dependent on the election made by the Affected Creditors. The Claims of the Affected Creditors will be compromised and released pursuant to the Plan.

Classification of Affected Claims

64. For the purposes of considering and voting on the Plan and receiving a distribution pursuant to the Plan, the Affected Creditors are grouped into a single class regardless of the

Applicant for which their claim is against. In addition, there will be similar treatment for Pre-Filing Claims and Restructuring Claims.

65. Claimants who have submitted a claim against multiple entities will be entitled to a single vote based on the consolidated amounts of all of their claims against all Applicants.

Treatment of Affected Claims

66. Affected Creditors with a Proven Claim greater than $1,000 will have the option to select one of the following three distribution options:

a) Convenience Amount Option: Affected Creditors that select, or are deemed to select, this option ("**Convenience Creditors**") will receive the lesser of $1,000 and the amount of their Proven Claim;

b) Class B Preferred Share Conversion Option: Affected Creditors that select, or are deemed to select, this option ("**Class B Converting Creditors**") will receive a *pro rata* share of 5,000,000 Class B Preferred Shares with a total value of $5,000,000; and

c) Common Share Conversion Option: Affected Creditors that select, or are deemed to select, this option ("**Common Share Converting Creditors**") will receive a *pro rata* share of 61,965,221 Common Shares with a total value of $619,652.61.

67. Affected Creditors with a Proven Claim equal to or less than $1,000 will be automatically deemed to have selected the Convenience Amount Option.

68. Any Affected Creditor with a Proven Claim above $1,000 that do not elect any option will be deemed to have elected the Class B Preferred Share Conversion Option.

69. Class B Converting Creditors will collectively be entitled to receive an annual cumulative dividend equal to 10% of AgMedica's Free Cash Flow (the "**Annual Dividend**"), based on AgMedica's annual financial statements, up to the total aggregated face value of the Class B Preferred Shares ($5,000,000). The Annual Dividend will be paid within 60 days after the issuance of such annual financial statements. Free Cash Flow is defined in the Plan as the sum of:

a) AgMedica's consolidated net income (that is attributable to AgMedica) after tax, before the free cash flow sweep; plus/minus

b) all of AgMedica's non-cash charges or credits (i.e., depreciation, deferred tax, etc.) included in the calculation of its consolidated net income; plus/minus

c) the changes in AgMedica's working capital in the year; less

d) the capital expenditures (including, without limitation, capital expenditures relating to expansion and maintenance) incurred in the course of AgMedica's business in the year; less

e) mandatory debt principal payments.

70. The Class B Preferred Shares will be automatically redeemable by AgMedica once the total aggregated face value of the Class B Preferred Shares ($5,000,000) has been returned to the Class B Converting Creditors through the Annual Dividend. AgMedica may redeem the Class B Preferred Shares at any time at a redemption price per share equal to (a) $5,000,000 less all amounts previously transferred to the Class B Converting Creditors divided by; (b) 5,000,000.

71. With respect to the Common Share Converting Creditors, if the aggregate amount of their Proven Claims <u>exceeds</u> the aggregate face value of the Common Shares to be issued pursuant to the Plan ($619,652.61), the Common Share Converting Creditors will receive a *pro rata* portion of the Common Shares to be issued pursuant to the Plan and a *pro rata* portion of Class B Preferred Shares in satisfaction of such shortfall. If the aggregate amount of the Proven Claims of the Common Share Converting Creditors <u>does not exceed</u> the aggregate face value of the Common Shares to be issued pursuant to the Plan ($619,652.61), the Common Share Converting Creditors will only receive Common Shares with a face value equal to the amount of their respective Proven Claims.

72. Based on the Proven Claims at this point in time, the aggregate value of all Affected Creditors with claims less than $1,000, who will automatically be deemed to be Convenience Creditors, is approximately $11,000, although the Monitor expects that a

number of smaller Affected Creditors with Proven Claims in excess of $1,000 will also elect the Convenience Amount Option.

73. Based on the Proven Claims at this point in time, if all remaining Affected Creditors either elected or are deemed to have elected the Class B Preferred Share Conversion Option, their recovery, based on the Claims Summary, would be approximately 21% as per the following estimated calculation:

Total Proven and Accepted Unsecured Claims	(X)	$23,900,467
Less: Deemed Convenience Class	(Y)	($10,733)
Net Creditors with Election Option	Z = X – Y	**$23,889,734**
Class B Preferred Shares	(T)	$5,000,000
Potential Recovery	**T / Z**	**20.9%**

74. If the Unresolved Claims in the amount of $17 million were accepted as Proven Claims, (Z) in the table above would increase to $40.9 million and the potential recovery to Affected Creditors would be reduced to 12%.

75. The above estimates are for illustrative purposes only and may change based on the Applicants' and the Monitor's on-going review of the Unresolved Claims as well as the elections ultimately made by Affected Creditors. The actual recovery of Affected Creditors under the Plan may vary significantly from these estimates. The illustrative potential recovery is based on the amount of the various claims but would also vary depending on the timing of the future payments as contemplated in the Plan.

76. In essence, the Plan provides for a future recovery for Affected Creditors, other than Convenience Creditors who will either be paid in full or have elected to receive a cash payment and forego that future recovery, based on the future results of the Applicants. Those Affected Creditors who elect the Common Share Conversation Option will share in the future results of the Applicants along with the Class A Preferred Shares issued to the Equity Subscribers pursuant to the Recapitalization Transaction, and the Existing Common Shares based on the ownership percentages described further herein. Those Affected

Creditors who elect or are deemed to have elected the Class B Preferred Share Conversion Option will share on a *pro rata* basis in 10% of the future Free Cash Flow, as defined above, of the Applicants up to $5 million, which will hopefully provide the Affected Creditors with a greater recovery than they would recover in event of liquidation of the Applicants' assets and operations. This recovery is dependant on the future success of the Applicants, however, it does provide the Affected Creditors with a future potential recovery, whereas, an immediate liquidation of the Applicants would likely result in the Affected Creditors recovering little or no value, as described in more detail below.

77. All Common Shares and Class B Preferred Shares issued pursuant to the Plan will be issued in whole units and any fractional amounts will be rounded down to the nearest whole number. If there are any unallocated shares as a result of rounding calculations, they will be released back to AgMedica.

Treatment of Unaffected Claims

78. The Plan does not compromise or otherwise affect the Unaffected Claims, which are comprised of:

a) claims secured by the Charges created by the Amended and Restated Initial Order;

b) Secured Claims that are accepted as or determined to be Proven Claims pursuant to the Claims Procedure Order as Secured Claims;

c) claims for amounts required to be paid by sections 6(3), (5) and (6) of the CCAA ("**CCAA Priority Payment Claims**"). This includes certain Crown claims in respect of employee source deductions and certain employee amounts that would receive priority under paragraph 136(1)(d) of the *Bankruptcy and Insolvency Act* if the Applicants had become bankrupt on the Filing Date;

d) claims by any Director (as defined in the Claims Procedure Order) of the Applicants under any directors' or officers' indemnity policy or agreement with the Applicants, or any of them, to the extent not otherwise covered by the CCAA Charges;

e) claims arising from a cause of action for which the applicable Applicant or Partnership is covered by insurance (but only to the extent of that coverage);

f) claims by EY or counsel to the Applicants, to the extent not otherwise covered by the CCAA Charges;

g) Intercompany Claims of the Applicants; and

h) Post-Filing Claims.

Equity Claims

79. As non-equity claims will not be paid in full, those holding Equity Claims will not receive a distribution and will not be entitled to vote on the Plan in respect of their Equity Claims. The Plan will be binding on all holders of Equity Claims if sanctioned by the Court.

Treatment of Unresolved Claims

80. As at the date of this Eighth Report, there are 13 Claims that are still being reviewed by the Applicants and the Monitor and eight (8) Claims that remain disputed (collectively, the "**Unresolved Claims**"). In addition, there would be two (2) additional Late Claims that, if the Court sees fit to approve the proposed Late Claims and Sealing Order, would receive a Notice of Revision and Disallowance and would have the right to submit a Notice of Dispute to the Monitor; therefore, may become an Unresolved Claim. As noted above, Applicants and the Monitor continue to work to resolve these Unresolved Claims as expeditiously and efficiently as possible.

81. A reserve (the "**Unresolved Claim Reserve**") of Class B Preferred Shares will be established, to be held in trust by the Monitor, sufficient to provide each holder of an Unresolved Claim with the *pro rata* amount of Class B Preferred Shares that they would have been entitled to under the Plan if such Unresolved Claim are determined to be Proven Claims. Affected Creditors with Unresolved Claims that are subsequently determined to be Proven Claims will be deemed to have elected the Preferred B Share Conversion Option.

82. A cash reserve (the "**Administration Reserve**") will be established, to be held in trust by the Monitor, in an amount sufficient to cover the fees and expenses of the Applicants' counsel, the Monitor, and the Monitor's counsel in administering the resolution of Unresolved Claims and all other matters that may need to be attended to after the Effective Time.

Timing of Distributions

83. In order to facilitate implementing the Plan and making distributions to Affected Creditors as soon as practicable, Affected Creditors with Proven Claims that have the ability to make an election under the Plan will be required to deliver an election notice to the Monitor by the date of the Sanction Hearing, which is currently proposed to be on September 1, 2020.

84. On the Plan Implementation Date:

a) the Recapitalization Transaction will be completed;

b) the Applicant will pay all amounts required to satisfy all obligations and liabilities of the Applicants to the DIP Lender and the Secured Creditors;

c) to the extent not already paid, the Applicants will deliver to the Monitor, in trust, the amount required to satisfy the CCAA Charges and the CCAA Priority Payment Claims in full, which Unaffected Claims will be paid by the Monitor, for and on behalf of the Applicants from such funds within five business days of the Plan Implementation Date or with respect to previous employees, five (5) Business Days after the clearance from Employment and Social Development Canada (unless otherwise agreed to between the Applicants and such Unaffected Claim holders);

d) the Applicants will issue all distributions to the Convenience Creditors, Class B Converting Creditors and Common Share Converting Creditors contemplated in the Plan; and

e) the Applicants will deliver to the Monitor, in trust, the Unresolved Claims Reserve and the Administration Reserve.

85. Any distributions in respect to claims that remain Unresolved Claims on the Plan Implementation Date will be distributed as soon as practically possible following the date, if any, on which the Unresolved Claim becomes a Proven Claim. Any remaining Class B Preferred Shares, not required to be reserved for Unresolved Claims, will be distributed amongst Class B Preferred Share Creditors.

86. If after 6 months, a distribution to an Affected Creditor remains undeliverable (an "**Undeliverable Distribution**"), the Undeliverable Distribution will be released back to the Applicants.

87. If after 6 months, a cheque in payment of a Convenience Amount to an Affected Creditor remains uncashed (an "**Uncashed Distribution**"), the Uncashed Distribution will be cancelled, and the associated funds will be released back to the Applicants.

88. The proposed Plan will not require the Applicants or the Monitor to locate any Creditor or other Person with respect to an Undeliverable Distribution or Uncashed Distribution.

89. The obligations of the Applicants and the Monitor to an Affected Creditor with respect to an Undeliverable Distribution or an Uncashed Distribution will expire and be extinguished on the date which such Undeliverable Distribution or Uncashed Distribution is released back to the Applicants.

Conditions Precedent

90. Implementation of the Plan is subject to the satisfaction or waiver, if applicable, of a number of conditions precedent, specifically that:

   a) the creditors approve the Plan at the Creditors' Meeting, meaning that not less than a majority in the number of creditors representing two-thirds in the value of Proven Claims, present and voting, in person or by proxy, at the Creditors' Meeting must vote in favour of the Plan;

   b) the Court makes an order sanctioning the Plan (the "**Sanction Order**");

c) all applicable appeal periods in respect of the Sanction Order will have expired and any appeals therefrom will have been finally disposed of by the applicable appellate tribunal;

d) the Offering and all other agreements required pursuant thereto will have been executed, delivered, and become effective in accordance with its terms, subject only to the occurrence of the Plan Implementation Date;

e) the Secured Exit Facility Agreement and all other agreements required pursuant thereto will have been executed, delivered, and become effective in accordance with its terms, subject only to the occurrence of the Plan Implementation Date;

f) each of the conditions precedent to the closing of the Offering and the Secured Exit Facility Agreement will have been satisfied or waived in accordance with the terms therein;

g) all relevant Persons will have executed, delivered and filed all documents and other instruments that, in the opinion of the Applicants and the Monitor, are necessary to implement the provisions of the Plan or the Sanction Order; and

h) no action or proceeding will be pending by any third party to enjoin or prohibit the Recapitalization Transaction.

91. Upon confirmation from the Applicants that the conditions precedent have each been satisfied or waived and the Plan has been implemented, the Monitor will file a certificate with the Court and post it on the Monitor's Website.

Capital Structure after Plan Implementation

92. After the execution of the Recapitalization Transaction and the distributions by the Applicants to the Affected Creditors pursuant to the Plan, AgMedica's *pro forma* capital structure will be as follows:

Class A Preferred Shares:	400,000,000	(64.6% of Voting Shares)
Existing Common Shares:	157,795,431	(25.4% of Voting Shares)

New Common Shares:	61,965,221	(10% of Voting Shares)
Class B Preferred Shares:	5,000,000	(100% of Non-Voting Shares)

93. For certainty and clarity regarding the rights that will accompany the classes of shares to be issued pursuant to the Recapitalization Transaction and the Plan, the Monitor anticipates that the proposed articles of reorganization will be provided in the upcoming weeks. When available it will be provided to the Court and sent to Affected Creditors as part of the Meeting Materials, as defined and detailed further below.

Plan Releases

94. The Plan provides full and final releases in favour of the Applicants' and their advisors, the Directors and Officers, the Monitor and the Monitor's counsel, and other parties identified in the Plan as Released Parties of the Released Claims which include, among other things, all claims, actions, debts, or damages of whatever kind or nature based in whole or in part on any act, omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing or other occurrence existing or taking place on or prior to the Plan Implementation Date, or following the Plan Implementation Date up to the termination of the CCAA Proceeding that relate to matters relating to implementing the Plan, on or following the Plan Implementation Date, or that constitute or are in any way relating to, arising out of or in connection with any Affected Claims, any D&O Claims and any indemnification obligations with respect thereto, the business and affairs of the Applicants whenever or however conducted, the administration and/or management of the Applicants, the Plan or the CCAA Proceeding.

Amendments to the Plan

95. The Plan and the proposed Meeting Order contemplates that the Applicants may vary, amend, modify or supplement the Plan with the consent of the Monitor at any time prior to the Creditors' Meeting so long as the amendment, modification or supplement, as applicable, is filed with the Court and communicated to the Affected Creditors that attend the Creditors' Meeting prior to the vote.

96. The Plan and the proposed Meeting Order also contemplates that the Applicant may vary, amend, modify or supplement the Plan at any time where such amendment, modification or supplement, as applicable is of an administrative nature required to give better effect to the implementation of the Plan or the Sanction Order, or to cure any errors, omissions or ambiguities, and in either circumstance, is not materially adverse to the economic interests of the Affected Creditors.

97. Finally, the Plan and the proposed Meeting Order contemplates that the Applicants may vary, amend, modify or supplement the Plan after the Creditors' Meeting with the consent of the Monitor, without consent of the Affected Creditors or further approval of the Court only if the amendment, modification or supplement, as applicable:

a) is filed with the Court;

b) is posted on Monitor's Website and notice thereof is provided to the Affected Creditors;

c) does not materially decrease the anticipated recovery of Affected Creditors under the Plan and is otherwise not materially adverse to the financial or economic interests of Affected Creditors, in each case as determined by the Monitor; and

d) does not amend the Plan Implementation Conditions (including any provision of the Plan that is the subject of such conditions) without the consent of the party or parties for whose benefit the conditions exist.

98. Otherwise, the amendment, modification or supplement, as applicable, must be approved by the Court on notice to the Affected Creditors.

99. As at the date of this Report, there have been no amendments, modifications or supplements to the Plan.

ALTERNATIVES TO THE PLAN

100. At the Creditors' Meeting, the Affected Creditors are being asked by the Applicants to choose between two alternatives, namely accepting the Plan or rejecting the Plan.

101. The Monitor believes that, if the Plan is not approved by the Affected Creditors, the most likely alternative would be a forced liquidation of the Applicants' assets pursuant to the CCAA, the *Bankruptcy and Insolvency Act* (Canada) or other statute and the distribution of the net proceeds from such a sale or liquidation to the creditors of the Applicants in accordance with their respective priorities. Any liquidation process would be fraught with considerable execution risk and cost.

102. The Monitor does not believe that a sale of the business would produce a viable outcome as:

a) the Applicants have already carried out broad canvassing of the market through the SISP without a successful offer, and the letters of intent or offers submitted during the course of the SISP did not demonstrate that there would be a likelihood of any significant recovery for the Affected Creditors;

b) current market conditions remain challenging due to the ongoing impact of the COVID-19 pandemic and continuing rationalization in the cannabis sector;

c) any sale process would require funding through an extension of the DIP Facility or alternate financing, neither of which are presently available to the Applicants.

103. The Monitor has performed an illustrative analysis of a hypothetical liquidation and the anticipated recovery to unsecured creditors in that scenario based on financial information provided by the Applicants (the "**Liquidation Analysis**"). The Liquidation Analysis and the underlying assumptions are attached as **Appendix** "**J**".

104. The Liquidation Analysis indicates that, in the event that the Plan is not approved and a forced liquidation ensues, unsecured creditors of the Applicants would receive no recovery on their Proven Claims as the net proceeds from a liquidation would likely be less than the sum of the claims of the DIP Lender and the Secured Creditors. Moreover, any amounts realized from a forced liquidation will inevitably be eroded further by the professional and other costs typically incurred in connection with such proceedings.

105. The DIP Facility matures September 12, 2020 and without additional financing before such date, the Applicants would have to request an extension from the DIP Lender as there would be insufficient funds to pay the outstanding DIP Facility at that time.

106. Based on the foregoing, the Monitor believes the Plan will produce a more favourable result for the Affected Creditors than they would likely receive in connection with a going concern sale or forced liquidation of the assets of the Applicants. The Plan provides for a distribution to the Affected Creditors. As noted above, the Monitor does not expect that there would be any funds available for distribution to the Affected Creditors in the event of a sale or liquidation.

CREDITORS' MEETING

Date, Time and Location

107. The proposed Meeting Order contemplates hosting the Creditors' Meeting virtually through video conference due to the COVID-19 pandemic. The Monitor notes that the Office of the Superintendent of Bankruptcy has encouraged licensed insolvency trustees such as the Monitor to make every reasonable effort to hold creditor meetings by electronic or digital means of communication during the pandemic. The Applicants propose to hold the Creditors' Meeting on August 25, 2020 at 11:00 am (Eastern Time).

Notice to Creditors

108. The proposed Meeting Order directs the Monitor to send a meeting information package (the "**Meeting Materials**") to each Known Affected Claimant (as defined in the proposed Meeting Order), by no later than August 11, 2020. The Meeting Materials are to include the following:

a) the Plan (attached as **Appendix "A"**);

b) this Eighth Report;

c) the Notice of the Creditors' Meeting substantially in the form attached as **Appendix "I"**;

d) the Proxy to be used by Affected Creditors (including instruction on completion of the Proxy) substantially in the form attached as **Appendix "J"**; and

e) the form of resolution substantially in the form attached as **Appendix "K"**.

109. With the Meeting Materials, all Known Affected Creditors will also receive an election notice in the form attached as **Appendix "L"** (the "**Election Notice**"), and their personal meeting identification number ("**PMIN**") and a pre-registration form in the form attached as **Appendix "M"** (the "**Pre-Registration Form**").

110. Copies of the Meeting Materials, Election Notice and Pre-Registration Form will be posted on the Monitor's Website as soon as practically possible after the granting of the proposed Meeting Order, if the Court sees fit to grant the proposed Meeting Order.

111. The proposed Meeting Order directs the Monitor to publish a notice of the Creditors' Meeting in the Globe and Mail (National Edition) no later than August 11, 2020. A copy of the newspaper notice is attached as **Appendix** "**N**".

Conduct of the Creditors' Meeting

112. The proposed Meeting Order directs that a representative of the Monitor will preside as chair of the Creditors' Meeting. The Monitor will manage the administrative processes related the conduct of the Creditors' Meeting, such as causing minutes to be prepared, determining the entitlement of person to attend, participate in or vote at the Creditors' Meeting, calling for a vote on the resolution to approve the Plan, appointing scrutineers and compiling and announcing the results of the vote. The Monitor expects it will be able to complete the tasks which the proposed Meeting Order charges it with.

113. For voting (and distribution) purposes, the Plan and the proposed Meeting Order contemplates that there will be one class of creditors, consolidating all creditors of the Applicants. The Monitor believes the consolidation of all unsecured creditors of the Applicants into one class is appropriate as each creditor is being treated the same regardless of the type of creditor or claim.

114. Only those Affected Creditors with Proven Claims or Disputed Claims (both as defined in the Plan) will be eligible to attend the Creditors' Meeting ("**Eligible Voting Creditor**") and vote on the resolution to approve the Plan. The votes of creditors holding Unresolved Claims will be separately tabulated and reported, and Unresolved Claims will be resolved in accordance with the Claims Procedure Order, the proposed Meeting Order and the proposed Plan prior to any distribution on account of such Unresolved Claims. Unaffected Creditors, as defined in the Plan, will not be entitled to attend and vote at the Creditors' Meeting.

115. In order to manage access to the Creditors' Meeting, the Monitor will send the details of video conference to any Affected Creditors that have indicated to the Monitor their intention to attend the Creditors' Meeting either by providing a Proxy or returning a Pre-Registration Form. The details provided within the Proxy or the Pre-Registration Form provide the ability for the Monitor to confirm the identity of the attendees at the Creditors' Meeting. Similar to the timing of the Proxy, the Monitor is requesting that Pre-Registration Form be submitted by 11:00 a.m. (Eastern Time) on August 23, 2020, or 48 hours in advance of an adjourned Creditors' Meeting.

116. The Monitor will open up the video conference from 10:00 a.m. to 10:50 a.m. prior to the Creditors' Meeting to begin sign-in for Eligible Voting Creditors that have pre-registered, and proxyholders. The proposed Meeting Order provides that the Chair of the Creditors' Meeting and the Monitor may rely on representations by attendees to confirm their identification.

117. The Monitor will file a report with the Court and serve such report on the parties listed on the Service List by no later than August 28, 2020 with respect to the results of the votes cast, including:

a) whether the Plan has been accepted by the Required Majority of the Affected Creditors;

b) whether the votes cast by creditors with Unresolved Claims, if any, would affect whether the Plan has accepted by the Required Majority of the Affected Creditors; and

c) any other matter which the Monitor considers relevant to bring before the Sanction Hearing.

118. If, after reviewing the votes casted at the Creditors' Meeting in respect of any Unresolved Claims and, if the approval or rejection of the Plan by the Affected Creditors would be decided by the votes cast in respect of Unresolved Claims, the Monitor will advise the Court as soon as possible and seek the assistance of the Court to obtain an expedited determination with respect to such Unresolved Claims.

SANCTION HEARING

119. If the Plan is approved by Required Majority of the Affected Creditors at the Creditors' Meeting, the Applicants will seek Court approval of the Plan. The proposed Meeting Order contemplates that the Sanction Hearing will proceed on September 1, 2020, subject to the availability of the Court.

120. The Meeting Order provides that any party who wishes to oppose the final sanctioning of the Plan must serve the Applicants, the Monitor and the parties listed on the Service List with a copy of the materials to be relied upon to oppose the motion for sanction of the Plan, setting out the basis for such opposition, at least five (5) days before the date set for the Sanction Hearing.

SEALING

121. The Applicants are seeking to seal Confidential Exhibit "B" to the Henry Affidavit as it contains the identities of the Equity Subscribers. The Equity Subscribers have specifically requested that their identities remain confidential at this time. The Monitor has reviewed Confidential Exhibit "B" to the Henry Affidavit and agrees that the identities of the Equity Subscribers constitute commercially sensitive and personal information the disclosure of which in advance of the Plan Implementation Date could adversely affect the Applicants and the Equity Subscribers. The Monitor supports the request by the Applicants for a sealing order in the circumstances.

CONCLUSIONS AND RECOMMENDATIONS

122. For the reasons stated herein, the Monitor recommends that the Court grant the proposed Meeting Order and Late Claims and Sealing Order, should the Court see fit to do so.

All of which is respectfully submitted this 31st day of July, 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

APPENDIX "D"

MONITOR'S CERTIFICATE – LONDON PROPERTY

Court File No. CV-19-00632052-00CL

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**")

MONITOR'S CERTIFICATE

RECITALS

1. Pursuant to an Amended and Restated Order of the Honourable Mr. Justice McEwen of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated December 12, 2019 (as amended, the "**Initial Order**"), Ernst & Young Inc. was appointed as monitor (in such capacity, the "**Monitor**") of the Applicants.

2. Pursuant to an Order of the Court dated March 9, 2020, the Court approved the agreement of purchase and sale between 2472602 Ontario Inc., as vendor (the “**Vendor**”), and Dancor Lands Corporation In Trust, as purchaser (the "**Purchaser**"), dated December 2, 2019 (the "**Sale Agreement**"), and provided for the vesting in the Purchaser, or as it may direct in accordance with the Sale Agreement, of all of the Vendor’s right, title and interest in and to all of the Vendor’s right, title and interest in and to the property described as the “Real Property” in the Sale

Agreement including all of the lands and premises municipally described as 1095 Wilton Grove Road, London, Ontario (the “**Purchased Assets**”), which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Monitor to the Purchaser of a certificate confirming: (i) the payment by the Purchaser of the purchase price for the Purchased Assets; (ii) that the conditions to closing as set out in the Sale Agreement have been satisfied or waived by the Vendor and the Purchaser; and (iii) the transaction has been completed to the satisfaction of the Monitor.

3. The Monitor has been advised by the Vendor and/or the Purchaser, as applicable, that: (i) the Purchaser has paid and the Vendor has received the purchase price for the Purchased Assets payable on the closing date pursuant to the Sale Agreement; (ii) the conditions to closing as set out in the Sale Agreement have been satisfied or waived by the Vendor and the Purchaser, as applicable, in accordance with their terms; and (iii) aside from the delivery of this certificate, the transaction has been completed.

4. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE MONITOR CERTIFIES the following:

1. The Purchaser has paid and the Vendor has received, the purchase price for the Purchased Assets payable on the closing date pursuant to the Sale Agreement;

2. The conditions to closing as set out in the Sale Agreement have been satisfied or waived by the Vendor and the Purchaser, as applicable, in accordance with their terms; and

3. The transaction has been completed to the satisfaction of the Monitor.

This Certificate was delivered by the Monitor effective at 4:43 p.m. on May 29, 2020.

ERNST & YOUNG INC., solely in its capacity as court appointed monitor of the Applicants, and not in its personal capacity or in any other capacity

Per: ______________________________

Name: Alex Morrison

Title: Senior Vice President

APPENDIX "H"

LIQUIDATION ANALYSIS

Consolidated AgMedica Bioscience Inc.
Illustrative Analysis of Hypothetical Liquidation
Forceasted as at August 30, 2020

			High Realization Estimate		Low Realization Estimate	
Consolidated Asset Realizations	**Book Value**	**Notes**	**% Realization**	**Amount**	**% Realization**	**Amount**
Proceeds from assets						
Cash and cash equivalents	$ 890,394	**Note 1**	100%	$ 890,394	100%	$ 890,394
Accounts Receivable	1,334,215	**Note 2**	89%	1,190,723	41%	551,417
Prepaid expense	827,622	**Note 3**	0%	-	0%	-
Other current assets	204,897	**Note 4**	0%	-	0%	-
Deposits	1,975,074	**Note 5**	0%	-	0%	-
Inventory	11,264,272	**Note 6**	9%	1,006,640	6%	694,361
Biological asset	1,039,005	**Note 7**	69%	715,625	0%	-
Loan receivable	2,904,326	**Note 8**	0%	-	0%	-
Intangible Assets	6,021,623	**Note 9**	0%	-	0%	-
Property	43,353,991	**Note 10**	10%	4,365,000	9%	3,928,500
Equipment	2,944,819	**Note 11**	47%	1,391,562	38%	1,118,731
Future Income Taxes	12,000	**Note 12**	0%	-	0%	-
Investment in Associates	43,288	**Note 13**	0%	-	0%	-
Convertible promissory notes	2,062,115	**Note 13**	0%	-	0%	-
Other long term investments	15,035	**Note 14**	100%	15,035	50%	7,518
Derivatives	823,848	**Note 13**	0%	-	0%	-
Total Consolidated Gross Proceeds	**75,716,524**		**13%**	**9,574,979**	**9%**	**7,190,921**
Liquidation Costs				**Amount**		**Amount**
Liquidation Costs						
Cost to wind-down operations		**Note 16**		$ (1,122,408)		$ (910,190)
Professional fees		**Note 17**		(540,000)		(420,000)
Total Liquidation Costs				(1,662,408)		(1,330,190)
Net Proceeds available for Distribution			**10%**	**7,912,571**	**8%**	**5,860,731**
Consolidated Recovery	**Claim Value**		**% Recovery**	**Recovery Amount**		**Recovery**
Secured claims						
DIP Lender	$ 2,674,698		100.0%	$ 2,674,698	100.0%	$ 2,674,698
Stabilis Secured Debt	1,352,542		72.0%	973,157	50.8%	687,222
KGP Debt	4,966,589		85.9%	4,264,716	50.3%	2,498,811
Total Secured claims	**8,993,829**			**7,912,571**		**5,860,731**
Unsecured claims						
AgMedica Unsecured Creditors	$ 26,565,216		0.0%	-	0.0%	-
Wellworth Unsecured Creditors	810,001		0.0%	-	0.0%	-
2642466 Ontario Inc. ("NIMBY") Unsecured Creditors	45,338		0.0%	-	0.0%	-
2472602 Ontario Inc. ("Crosshair") Unsecured Creditors	516,970		0.0%	-	0.0%	-
Total Unsecured Claims	**27,937,525**			-		-
Unresolved Claim Reserve	$ 14,831,722		0.0%	-	0.0%	-
Total Claims	**51,763,076**					

Introduction

AgMedica Bioscience Inc. ("**AgMedica**"), 2472602 Ontario Inc. ("**Crosshairs**"), 2642466 Ontario Inc. ("**NIMBY**"), 8895309 Canada Inc., Wellworth Health Corp. ("**Wellworth**"), 8050678 Canada Inc., 8326851 Canada Inc., Tavivat Naturals Inc., Worldwide Beverage Innovations, Unique Beverages (USA) Inc., and Eseela Inc. (collectively, the "**Applicants**") have prepared this illustrative analysis of a hypothetical liquidation of its assets as of August 30, 2020 ("the "**Hypothetical Liquidation Date**") in connection with the Plan. The "**Liquidation Analysis**" provides an estimate of the realizable value of the Applicants' assets in a liquidation and the resulting distribution to creditors in accordance with their respective priorities in the context of a liquidation as opposed to the implementation of the Plan of Arrangement.

The Liquidation of assets will occur on an individual entity basis, but for simplicity of presentation has been presented on a consolidated basis.

Summary

The Applicants estimates that the net realizable value of their assets on a consolidated basis at the Hypothetical Liquidation Date would range from approximately $7.2 million to $9.6 million. The Applicants have not identified any realizable assets for 8895309 Canada Inc., 8050678 Canada Inc., 8326851 Canada Inc., Tavivat Naturals Inc., Worldwide Beverage Innovations., Unique Beverages (USA) Inc., and Eseela Inc., therefore, they have not been presented in the Liquidation Analysis. The capping machine may be owned by one of these entities however, given that there are no proven creditors, it is assumed that the proceeds from this machinery is the available to AgMedica. The net realizable value of the assets and the amounts potentially available for distribution is reflected in the attached appendix should be considered in conjunction with the assumptions below.

General Assumptions

The Liquidation Analysis assumes the liquidation process commences on or shortly after the Hypothetical Liquidation Date under one of two underlying scenarios. The purpose of considering the two scenarios is to illustrate a range of potential net realizations based on varied overall assumptions guiding a hypothetical liquidation.

First, the low estimate of realizable value in liquidation (the "**Low Realization Estimate**") contemplates a complete and immediate cessation of the Applicants' operations where all cannabis production is ceased, all employees that are non-core to the liquidation are terminated immediately and the process for destruction of all cannabis inventory is commencing on the

Hypothetical Liquidation Date. As such, an abrupt cessation of operations would significantly reduce the value realized on cannabis inventory and wind-down of all business functions will take one month. The tangible assets, including production equipment and other machinery, are assumed to be sold within two months. Land and buildings are assumed to require two months to sell, which will only consist of 566 Riverview Drive in Chatham, Ontario.

Second, the high estimate of realizable value in a liquidation (the "**High Realization Estimate**") assumes the Applicants winds down their operations in an orderly fashion by completing the final harvest of cannabis, making arrangements to complete any open orders in a reasonable timeframe, and liquidate the remaining cannabis inventory at market prices through bulk sales. As such, an orderly wind down over a month is anticipated to maximize the realization on working capital assets. This will include finalizing the cultivation of the cannabis that is in progress and any additional cannabis cultivated that is not used to fulfil orders will be destroyed. Following the wind-down of operations, the tangible assets are assumed to be sold within a further period of three months reflecting a more fulsome marketing process resulting in an improvement to the expected realizable value. Land and buildings are assumed to require four months to sell in the High Realization Estimate, which will only consist of 566 Riverview Drive in Chatham, Ontario.

The assets of the Applicants are assumed to be liquidated under the CCAA process.

Certain Tax Matters

AgMedica is subject to Excise Duty and HST, however these impacts have been included as nil for the purpose of the Liquidation Analysis. CRA holds a deposit for Excise Duty which is currently greater than the outstanding Excise Duty amount and therefore will not be in a payable position. In addition, AgMedica is typically in an HST refund position and CRA is currently holding HST refund payments. The Liquidation Analysis does not consider other tax consequences in Canada that may be triggered upon a liquidation. While such tax consequences may be material, the inclusion of the tax consequences would further reduce the amounts available for distribution.

Book Value

The Applicants has prepared this analysis based on the best current information available. The most currently available Financial statement information for the Applicants is at March 31, 2020. The Liquidation Analysis rolls forward these balances to August 30, 2020, incorporates the impact of disclaimed contracts, and uses the forecast cash and accounts receivable balances based on the most current weekly DIP Budget prepared and presented to the DIP Lender. The cash and accounts receive bale balances are the forecast amounts based on the weekly DIP Budget prepared and presented to the DIP Lender.

Asset Realization Assumptions

Note 1: Cash and Cash Equivalents

The Applicants are forecast to hold a consolidated total of unrestricted cash of $890,394 at August 30, 2020. The Liquidation Analysis assumes the unrestricted cash is fully recovered through the liquidation process in both the High and Low Realization Estimates, as the cash is held at a Chartered Canadian Bank and a Credit Union.

Note 2: Trade Accounts Receivable

AgMedica is the only operating entity out of the Applicants. AgMedica's customers consist of provincial cannabis distributors operated by government agencies, a few cannabis stores in Saskatchewan, and a few international customers in Oceania and Europe. The Low Realization Estimate assumes the Alberta Gaming and Liquor Commission sets off current receivables against returnable cannabis products and small distributors and international customers receivables are uncollectible. It assumes that the remaining Provincial agencies recovery will be 80%. Customers who do not have any product to be returned for which they could set off against receivables, are expected to pay their balance over the next 60 days. As a result, it is assumed the Applicants collect approximately $551,417 or 41% of the trade accounts receivable with a book value of approximately $1,334,215 outstanding at the Hypothetical Liquidation Date.

The High Realization Estimate scenario assumes that AgMedica successfully recovers 100% of the receivables from Provincial Distributors and assumes that 10% of receivables from international customers are collectable. The High Realization Estimate assumes recoveries of approximately $1,190,723 or 89% of the trade accounts receivable book value.

Note 3: Prepaid Expense, Other Current Assets, and Deposits

The Applicants Prepaid Expenses consist of payments made for future purchases, travel, tradeshows and insurance. In both the High Realization and Low Realization Estimate, it is assumed that these costs cannot be recovered.

Note 4: Other Current Assets

Other Current Assets consists of an accounting provision for cannabis inventory that will be converted upon harvest. The estimated recoverable amount is included in Biological Assets.

Note 5: Deposits

The Applicants have made deposits to utilities, a deposit to the Receiver General for Cannabis Excise, and equipment that was being designed and/or contracted to be built by third party vendors. In both the High Realization and Low Realization Estimate, it is expected that utilities deposits will be utilized and therefore not recoverable. CRA holds a deposit for Excise Duty which is currently less than the outstanding Excise Duty amount and therefore will not be in a payable position. With respect to the deposits on equipment that is being fabricated, it is assumed that this balance will not be recoverable. The equipment manufacturer has submitted a claim for excess beyond the deposit, therefore, there is no expected recovery of the deposit.

Note 6: Inventory

The Applicants' inventory book value includes cannabis product in various forms from the drying phase until finish goods, as well as packaging and cultivation materials. The cannabis is in the form of bulk and bottled flower, pre-rolls finished product, bulk and packaged oil, and bulk and bottled oil capsules. Packaging and cultivation materials consists of the inputs to grow Cannabis, bottles and cones, and labels. The total book value of the cannabis inventory is $11,264,272 at the Hypothetical Liquidation Date. The Low Realization Estimate assumes the immediate cessation of operations, and that the applicants can sell 50% of their inventory at $0.35 (based on current market wholesale price) per gram for flower and $1.00 per gram equivalent of oil and with the remaining inventory unsaleable. It assumes the recovery on the packaging material is 15%. The High Realization Estimate assumes that operations will continue to the extent necessary to complete existing open purchase orders for customers. The operation costs related to these scenarios are included in Note 17 – Cost to wind-down operations. The High Realization Estimate assumes 100% of the Applicants inventory is sold at $0.35 per gram for flower and $1.00 per gram equivalent of oil. The total cannabis inventory assumed to be realized is $1,006,640 at the Hypothetical Liquidation Date in a High Realization Estimate and $694,361 in a Low Realization Estimate.

Note 7: Biological Assets

Biological Assets is based on the fair market value of the plant biomass from seedlings to plants prior to harvest, less costs. The book value of Biological Assets of $1,039,005. The Low Realization Estimate assumes, following the immediate cessation of operations, all biological assets destroyed by the Applicants under the supervision of Health Canada. Conversely, in the High Realization Estimate scenario the Applicants finish necessary cultivation and processing of their cannabis crop to fulfil 80% of its current open purchase orders, resulting in a net recovery of $715,625.

Note 8: Loan Receivable

AgMedica Bioscience Inc. has extended a loan to Herbolea Biotech S.r.l. as part of an agreement to licence Herbolea technology for a book cost of $2,904,326. However, there are amounts that are likely owed by AgMedica to Herbolea that would exceed these amounts. Therefore, in both the High Realization and Low Realization Estimate this loan will have no realizable value.

Note 9: Intangible Assets

Intangible Assets consists of right of use for licences with Herbolea Biotech S.r.l. ($4.8 million) ,MMG Genetics ($1.1 million) and an Enterprise Resource Management System ($0.1 million). AgMedica Bioscience Inc. has a licence to cultivate a variety of cannabis strains that have been licensed by MMG Genetics that are not transferable. AgMedica Bioscience Inc. started projects relation to an enterprise resource management system and customer support systems. These projects were not completed. In both the High Realization and Low Realization Estimates it is assumed that these intangible assets will not have any recoverable value.

Note 10: Property, Plant and Equipment

The Applicants operate a licensed production facility in Chatham, Ontario which is owned by its subsidiary Crosshair. The book value for AgMedica contains significant capitalized improvements made to the facilities in order to operate a cannabis operation. In the Liquidation Analysis, the property has been assumed to be sold as an industrial building, therefore, the value of the capital improvements, will be $nil. The Liquidation Analysis assumes the owned land and building is sold after being marketed for two to four months for proceeds based on an opinion of value commissioned by the Applicants. In the below table, the appraised value/sale price and estimated closing costs are provided. Estimated closing costs included Real Estate Broker commissions, etc. The holding costs of these properties in the High Realization and Low Realization Estimate is expected to be recovered against Prepaid Deposits that have been made to utility companies.

Property	Appraised Value	Value	Estimated Closing Costs	Net Proceeds
566 Riverview Drive	Appraised Value	4,850,000	(485,000)	4,365,000

Based on the net recovery value in the table above, the recovery in the Low Realization Estimate assumes 90% recovery and 100% in the High Realization Estimate.

See Note 17 and Note 18 for the breakdown and allocation of Wind-down Costs and Professional Fees.

Note 11: Plant and Machinery and Other Fixed Assets

This includes equipment for the grow rooms, and the processing equipment for the cannabis cultivation facility at 566 Riverview in Chatham, Ontario. Wellworth Health Corp. has computer equipment and hardware related to their tele-health platform.

The Low Realization Estimate is 90% of appraised valueand in . the High Realization Estimate assumes 100% of appraised value. The appraisal was performed as at May 4, 2020 on a forced liquidation basis.

Note 12: Future Income Taxes

2642466 Ontario Inc. has a book value of $12,000 of Future Income Tax Assets. The Liquidation Analysis assumes that there is no realizable value to this tax asset.

Note 13: Investment in Associates

AgMedica Bioscience Inc. has recorded investments in MMG. In is assumed that this investment will have no realizable value as the agreement is currently in default.

Note 14: Other long-term investments

The Applicants holds shares of the Credit Union they are part of for a total Book Cost of $15,035. These shares are redeemable upon an entity leaving the credit union. In the High Realization Estimate it is assumed that AgMedica will be able to fully redeem their shares for a 100% realization. In the Low Realization Estimate, it is assumed that AgMedica will be able to redeem their shares but there will be transaction costs related to finalizing the account and usage fees that may result in a lower recovery which is assumed to be 50%.

Post-File Intercompany Transactions

Note 15: During the period of December 2, 2019 to the hypothetical liquidation date of August 30, 2020, the Applicants have participated in inter-group advances as some of the Applicants are not cash flow positive. During this period, the Applicants have loaned money between the entities, which in both the High Realization Estimate and Low Realization Estimate it is assumed will be settled before determining the net proceeds for each entity to distribute to the extent that there is sufficient realization to do so.

Wind-Down and Liquidation Cost Assumptions

Note 16: Cost to Wind-Down Operations

The Low Realization Estimate does not contemplate a continuation of the Applicants' operations past the Hypothetical Liquidation Date. The cost of the wind-down of the Applicants' operations over a one-month period assumed in the High Realization Estimate is based on the minimum operating costs for payroll. Asset realization costs include the cost to decommission the Applicants' facilities as well as the fees and commissions to be paid to liquidators and other service firms on the liquidation of inventory, land and building, machinery, equipment and other fixed assets. This also includes the payment of any post-filing obligations and the payment of certain Key Employee Retention agreements to assist with the liquidation.

The allocation of the wind-down costs is based on the specific costs that are associated with operations and the real property. All operational costs are allocated to AgMedica and costs related to the real property such as property tax and utilities are allocated to Crosshair based on historical rates.

Note 17: Professional Fees

Professional fees include estimates of the fees and expenses of the financial and legal advisors retained by the Applicants. In a High Realization Estimate, it is expected to take one month to finish the cultivation of cannabis, and 10 weeks for completion of the CCAA proceedings. In the Low Realization Estimate, it is expected to take one month to destroy all cannabis inventory and 16 weeks for completion of the CCAA proceedings.

Distribution Assumptions

Note 18: DIP Facility

At the commencement of the CCAA Proceeding, the Applicants, as borrowers, entered into the DIP Facility. The outstanding balance of the DIP is $2.67 million Canadian under the DIP Credit Agreement at the Hypothetical Liquidation Date. The DIP has a charge over all assets of the Applicants; therefore, is paid first in full ahead of all the secured creditors.

Note 20: Claims of the Secured Lenders

The Secured Lenders are owed approximately $4.36 million for loans made to the Applicants with security as follows:

- Stabilis – first priority on all Chatham properties
- KGP – general security over all assets of AgMedica

Based on the Liquidation Analysis, it is estimated that Secured Lenders will experience a potential shortfall, leaving no recovery available for unsecured creditors.

APPENDIX "E"
DIP ALLOCATION ANALYSIS

Asset Valuations per Liquidation Analysis				
	Ref	High Realization	**Ref**	Low Realization
Cash and Cash Equivalents		890,394		890,394
Accounts Receivable		1,190,723		551,417
Inventory		1,006,640		694,361
Biological asset		715,625		-
Property	C	4,365,000	D	3,928,500
Equipment		1,391,562		1,118,731
Other long term investments		15,035		7,518
Total Gross Realization of AgMedica Assets		**9,574,980**		**7,190,920**
Gross Proceeds less 566 Riverview	A	5,209,980	B	3,262,420

Valuation of 566 Riverview per Liquidation Analysis				
	Ref	High Realization	**Ref**	Low Realization
Value	C	4,365,000	D	3,928,500
Estimate Closing Costs		-$425,545		-$339,780
Estimate Professional Fees		-$291,600		-$226,800
Liquidation Value	E	**3,647,855**	F	**3,361,920**

Valuation of AgMedica Assets per Liquidation Analysis				
	Ref	High Realization	**Ref**	Low Realization
Value	A	5,209,980	B	3,262,420
Estimate Closing Costs		-$696,864		-$570,409
Estimate Professional Fees		-$248,400		-$193,200
Liquidation Value	G	**4,264,716**	H	**2,498,811**

Value of Philipp Collateral Based on Distributions				
	Ref	High Realization	**Ref**	Low Realization
Liquidation Value	G	4,264,716	H	2,498,811
Value of Security – London Property		700,826		700,826
Estimated Value of Personal Property		**4,965,542**		**3,199,637**

Low Realization Estimate of AgMedica Assets				
Property	**Ref**	**Value**	**Percent**	**Allocation of DIP**
566 Riverview (per above Valuation)	F	3,361,920	13%	$1,003,612
715 Richmond		$3,759,371	15%	$1,122,260
830 Richmond		$1,548,520	6%	$462,270
650 Riverview		$6,167,722	25%	$1,841,210
1095 Wilton Grove		$6,899,400	28%	$2,059,633
Other Assets		$840,418	3%	$250,884
AgMedica Assets (per above Valuation)	H	$2,498,811	10%	$745,954
Total		**$25,076,162**	**100%**	**$7,485,823**

High Realization Estimate of AgMedica Assets				
Property	**Ref**	**Value**	**Percent**	**Allocation of DIP**
566 Riverview (per above Valuation)	E	3,647,855	13%	$1,006,606
715 Richmond		3,759,371	14%	$1,037,378
830 Richmond		1,548,520	6%	$427,306
650 Riverview		6,167,722	23%	$1,701,949
1095 Wilton Grove		6,899,400	25%	$1,903,851
Other Assets		840,418	3%	$231,909
AgMedica Assets (per above Valuation)	G	4,264,716	16%	$1,176,825
Total		**$27,128,003**	**100%**	**$7,485,823**