Court File No. CV-24-00722386-00CL

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 ATLAS GLOBAL BRANDS INC., GREENSEAL CANNABIS COMPANY, LTD., GREENSEAL NURSERY, LTD., AGMEDICA BIOSCIENCE INC., WELLWORTH HEALTH CORP., 50473946 ONTARIO INC., 8050678 CANADA INC. AND TAVIVAT NATURALS INC.

(each an **"Applicant"** and collectively, the **"Applicants")**

SECOND SUPPLEMENT TO THE FIRST REPORT OF THE MONITOR DATED JULY 5, 2024

INTRODUCTION

1. This second supplement to the First Report of the Monitor (the "**Second Supplemental First Report**") is provided in reference to the Monitor's First Report dated June 27, 2024 (the "**First Report**") and the Monitor's Supplement to the First Report dated July 2, 2024 (the "**First Supplemental First Report**"). All capitalized terms used but not defined in this Second Supplemental First Report shall have the meanings given to them in the First Report and the First Supplemental First Report. This Second Supplemental First Report should be read in conjunction with the First Report, the First Supplemental First Report and the affidavits of Jason Cervi affirmed on June 30, 2024 (the "**Third Cervi Affidavit**") and July 4, 2024 (the "**Fourth Cervi Affidavit**").

PURPOSE

2. The purpose of this Second Supplemental First Report is to provide further information to the Court, in connection with the Applicants' motion initially returnable June 27, 2024, and adjourned to June 28, 2024, then to July 2, 2024 and then to July 5, 2024, regarding:

   a. the continuing discussions between the Applicants and GreenSeal's secured lenders; and

   b. the Monitor's recommendation in respect of the Applicants' request the make certain clarifying amendments to the ARIO (the "**Second ARIO**") substantially in the form included at Tab 3 to the Applicants' Motion Record dated July 4, 2024 to:

      i. approve the Applicants and the AgMedica DIP Lender (defined herein) entering into an Amended DIP Term Sheet and amending the AgMedica DIP Lender's Charge from a fixed amount of $5,000,000 to the maximum amount of the DIP Obligations (defined below) at the relevant time; and

      ii. approve the Applicants and the AgMedica DIP Lender entering into an Amended Bridge DIP Term Sheet and amending the Bridge Lender's Charge from a fixed amount of $3,750,000 to the maximum amount of the Bridge DIP Obligations (defined below) at the relevant time.

BACKGROUND

3. On July 2, 2024, this Court approved a revised ARIO (the "**ARIO**") that amongst other things:

   a. increased the maximum amount of the Administration Charge to $600,000;

   b. increased and bifurcated the Directors' Charge into a GreenSeal Director's Charge (as defined in the ARIO) to $740,000 and Director's Charge (defined in the ARIO) to $680,000;

c. approved the Applicants entering into a term sheet dated June 29, 2024 (the "**AgMedica DIP Term Sheet**") between the Applicants and Shalcor Management Inc. (the "**AgMedica DIP Lender**"), authorizing borrowings under the DIP Facility (as defined below) in an amount up to $5,000,000 and granting a charge in favour of the AgMedica DIP Lender (the "**AgMedica DIP Lender's Charge**");

d. approved the Applicants entering into a term sheet dated June 29, 2024 (the "**Bridge Term Sheet**") between the Applicants and the DIP Lender, authorizing borrowings under the Bridge Facility (as defined below) in an amount up to $3,750,000 in order to pay out Hillmount Capital Inc. and Hillmount Capital Mortgage Holdings Inc. (collectively, "**Hillmount**") and granting a charge in favour of the AgMedica DIP Lender (the "**Bridge Lender's Charge**");

e. provided the Applicants' relief related to Atlas' securities reporting obligations; and

f. extended the Stay Period to (i) July 5, 2024 in relation to GreenSeal, and (ii) July 26, 2024 in relation to the Applicants other than GreenSeal.

4. The ARIO reflected a negotiated resolution that, amongst other things:

a. isolated the AgMedica and GreenSeal cash flows; and

b. anticipated that there will be a SISP approval motion on or before July 26, 2024 for the AgMedica Business; and potentially the GreenSeal Business if issues around the financing of GreenSeal's operations post-filing could be resolved.

5. The stay in respect of GreenSeal to July 5, 2024 was granted to allow GreenSeal and its secured creditors to pursue ongoing discussions around the financing of GreenSeal's operations post-filing.

6. The ARIO stated that upon Hillmount confirming to the Monitor in writing that it has received the Hillmount Payout, the Monitor shall file a certificate with the Court advising that the Hillmount Payout had been completed (the "**Monitor's Confirmation Certificate**"). The Hillmount Payout has occurred and on July 3, 2024, the Monitor

delivered the Monitor's Confirmation Certificate by serving it on the Service List and filing it with the Court.

UPDATE ON DISCUSSIONS WITH GREENSEAL'S SECURED LENDERS

7. Since the First Supplemental First Report, the Applicants have been working towards a potential interim financing arrangement for GreenSeal with one of its secured lenders. The Monitor has been involved with these discussions. Progress has been made but the parties do not believe that negotiations will be complete by the next hearing on July 5, 2024. Additional time is necessary to allow these negotiations to conclude.

8. The parties have agreed, subject to the availability of the Court, to adjourn the Applicants' comeback motion and the receivership applications of Stoke and YNCU, and extend the Stay Period on the same terms until July 9, 2024. The Monitor confirms that GreenSeal has sufficient liquidity to fund its business until that date without needing to utilize any receivables in which Stoke claims an interest. The Monitor expects that this will be last adjournment sought for these matters.

PROPOSED SECOND AMENDED AND RESTATED INITIAL ORDER

Amendment to the AgMedica DIP Lender's Charge

9. On July 3, 2024, the Applicants and the DIP Lender agreed to make certain minor amendments to the terms of the AgMedica DIP Term Sheet (the "**Amended AgMedica DIP Term Sheet**") and the Bridge DIP Term Sheet (the "**Amended Bridge DIP Term Sheet**") as described below.

<u>The AgMedica DIP Term Sheet</u>

10. The Amended AgMedica DIP Term Sheet was amended to amongst other things:

    a. include, in addition to the fees and expenses previously covered, all fees and expenses incurred by the AgMedica DIP Lender in connection with the preparation, registration and ongoing administration of the AgMedica DIP Term Sheet and the Amended AgMedica DIP Term Sheet; and

b. expressly condition that the ARIO grant, *inter alia*, a charge in favour of the AgMedica DIP Lender in the amount of $5,000,000 "plus interest, fees and costs".

The AgMedica Bridge DIP Term Sheet

11. The Amended AgMedica Bridge DIP Term Sheet was amended to amongst other things:

a. include, in addition to the fees and expenses previously covered, all fees and expenses incurred by the AgMedica DIP Lender in connection with the preparation, registration and ongoing administration of the AgMedica Bridge DIP Term Sheet and the Amended AgMedica Bridge DIP Term Sheet; and

b. expressly condition that the ARIO grant, *inter alia*, a charge in favour of the AgMedica DIP Lender in the amount of $3,750,000 "plus interest, fees and costs".

12. The AgMedica DIP Term Sheet and AgMedica Bridge DIP Term Sheet already contemplated that a court-ordered charge would be granted securing all of the Borrowers' obligations under the DIP Facility and Bridge DIP Facility, including interest, fees and costs. The inclusion of the principal amounts of $5,000,000 and $3,750,000 as the maximum amounts of the AgMedica DIP Charge and the AgMedica Bridge DIP Charge, respectively, was inadvertent and attributable to the pace of these proceedings.

13. The Monitor is of the view that the proposed amendments to the ARIO are necessary to give effect to the intentions of the Applicants and the DIP Lender and facilitate the full amount of the DIP Facility and Bridge DIP Facility being made available to the Borrowers. The intention to include the interest, fees and costs in the AgMedica DIP Charge and the AgMedica Bridge DIP Charge was reflected in the term sheets previously served on the Service List which no party objected to. The Monitor has confirmed that the only other material secured creditor of the Borrowers consents to these amendments.

CONCLUSIONS AND RECOMMENDATIONS

14. For the reasons stated herein, the Monitor supports the relief sought by the Applicants and recommends the Court grant the Second ARIO if the Court see fit.

All of which is respectfully submitted this 5th day of July 2024.

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

per:

Karen Fung, CPA, CA
Senior Vice President