



**First Report of
KSV Kofman Inc.
as CCAA Monitor of
James E. Wagner Cultivation
Corporation, James E. Wagner
Cultivation Ltd., JWC 1 Ltd., JWC 2
Ltd., JWC Supply Ltd. and
GrowthStorm Inc.**

April 6, 2020

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COURT FILE NO.: CV-20-00639000-00CL

**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 JAMES E. WAGNER CULTIVATION CORPORATION, JAMES E.
WAGNER CULTIVATION LTD., JWC 1 LTD., JWC 2 LTD., JWC SUPPLY
LTD. AND GROWTHSTORM INC.**

FIRST REPORT OF KSV KOFMAN INC. AS MONITOR

APRIL 6, 2020

1.0 Introduction

1. Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the "Court") made on April 1, 2020 (the "Initial Order"), James E. Wagner Cultivation Corporation ("JWC"), James E. Wagner Cultivation Ltd. ("JWCL"), JWC 1 Ltd. ("JWC1"), JWC 2 Ltd. ("JWC2"), JWC Supply Ltd. ("JWCS") and GrowthStorm Inc. ("GrowthStorm") (collectively, the "Companies") were granted protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") and KSV Kofman Inc. ("KSV") was appointed monitor (the "Monitor"). A copy of the Initial Order is attached as Appendix "A".
2. Pursuant to the terms of the Initial Order, *inter alia*, the Court:
 - a) granted a stay of proceedings until April 10, 2020;
 - b) approved the terms of a debtor-in-possession loan facility (the "DIP Facility") in the maximum principal amount of \$4 million to be made available by Trichome Financial Corp. ("TFC"), pursuant to a term sheet dated March 31, 2020 (the "DIP Term Sheet");
 - c) granted a charge:
 - i. in the amount of \$500,000 on the Companies' current and future assets, property and undertaking (collectively, the "Property") to secure the fees and disbursements of the Companies' corporate and restructuring counsel, as well as the fees and disbursements of the Monitor and its counsel (the "Administration Charge");

- ii. in the amount of \$450,000 on the Property in favour of the directors and officers of the Companies (the “D&O Charge”); and
 - iii. up to the maximum amount of \$800,000 on the Property in favour of TFC to secure advances to the Companies made under the DIP Facility until April 10, 2020 (the “DIP Charge”).
3. At the initial application, the Court set April 9, 2020 as the date for the comeback motion in these proceedings (the “Comeback Motion”).
4. The principal purpose of these restructuring proceedings is to create a stabilized environment to enable the Companies to pursue a restructuring of their business by conducting a “stalking horse” sale and investor solicitation process (the “SISP”) while continuing operations in the ordinary course of business. Subject to Court approval, the SISP is to be conducted by Stoic Advisory Inc. (“Stoic”), under the supervision of the Special Committee of the Board of JWC (the “Special Committee”) and the Monitor.

1.1 Purposes of this Report

1. The purposes of this report (“Report”) are to:
 - a) provide the Court with an update on the Companies’ operations since the commencement of these proceedings;
 - b) provide the Court with an update on the Monitor’s activities since its appointment;
 - c) discuss the terms of Stoic’s engagement as set out in the Stoic engagement letter (the “Stoic Engagement Letter”) and an addendum thereto (the “Addendum”);
 - d) discuss the proposed SISP;
 - e) summarize the terms of a stalking horse offer made by TFC pursuant to an asset purchase agreement (the “Stalking Horse Agreement”);
 - f) discuss the terms of an agreement to retain Howard Capital LLC (“HC”) as Chief Restructuring Officer (the “CRO”) of the Companies (the “CRO Engagement Letter”);
 - g) discuss the reasons to approve:
 - the Monitor’s activities as set out in the Report;
 - the Stoic Engagement Letter and the Addendum;
 - the SISP;
 - the Stalking Horse Agreement, including the expense reimbursement (the “Expense Reimbursement”) contemplated therein;

- the CRO Engagement Letter;
 - the extension of the stay of proceedings from April 9, 2020 to June 26, 2020;
 - an increase in the Administration Charge from \$500,000 to \$600,000;
 - an increase in the D&O Charge from \$450,000 to \$1,050,000;
 - an increase in the DIP Charge from \$800,000 to \$4 million; and
- h) recommend that this Court grant the relief sought by the Companies in their CCAA motion materials.

1.2 Restrictions

1. In preparing this Report, the Monitor has relied upon the unaudited financial information of the Companies, the books and records of the Companies and discussions with the Companies, the Companies' counsel and TFC.
2. The Monitor has not audited, or otherwise attempted to verify, the accuracy or completeness of the financial information relied on to prepare this Report in a manner that complies with Canadian Auditing Standards ("CAS") pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own diligence.
3. An examination of the cash flow forecast as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based upon the Companies' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Monitor expresses no opinion or other form of assurance on whether the cash flow forecast will be achieved.

1.3 Currency

1. Unless otherwise noted, all currency references in this Report are in Canadian dollars.

2.0 Company Background

1. JWC's principal business is the production and sale of cannabis through its wholly-owned subsidiary and licence holder, JWCL. The Monitor understands that the other Companies, JWC1, JWC2, JWCS and GrowthStorm, do not presently conduct, and have never conducted, active business operations. The corporate chart for the Companies is provided in Appendix "B".
2. The common shares of JWC are listed on the Toronto Stock Venture Exchange and the OTCQX. Following the Initial Order, JWC's exchange listing and tier classification was downgraded from the TSX-V to the NEX.

3. The Companies' operations are based in Kitchener, Ontario. JWC currently leases three premises as follows: (i) manufacturing facilities located at 855 Trillium Drive, Unit B, Kitchener, Ontario and 530 Manitou Drive, Kitchener Ontario; and (ii) office space located at 860 Trillium Drive, Kitchener, Ontario.
4. JWCL currently holds the following cannabis licenses:
 - a) a license which permits JWCL to cultivate, process and sell cannabis for the medical market and to sell all of the authorized classes of cannabis to provincially/territorially authorized distributors/retailers and directly to consumers with medical documents, which includes cannabis plant seeds, cannabis plants, dried cannabis, fresh cannabis, edible cannabis, cannabis topicals, cannabis extracts and cannabis oil; and
 - b) a license which permits JWCL to cultivate cannabis and sell plant seeds and cannabis plants to provincially/territorially authorized distributors/retailers.
5. The Companies have approximately 160 employees. The employees are not unionized and the Companies do not maintain a pension plan.

2.1 Secured Creditors

2.1.1 TFC

1. TFC is a secured lender to the Companies through a loan agreement dated February 19, 2019 which was amended and restated on November 6, 2019 (as amended by amendments dated January 9, 2020, February 19, 2020 and March 10, 2020) (collectively, the "Loan Agreement"). The current amount outstanding under the Loan Agreement is approximately \$7.6 million. Interest and costs continue to accrue.
2. TFC and JWC also entered into an accounts receivable purchase agreement on October 23, 2019, whereby JWC may elect to finance certain qualified receivables, in TFC's discretion (the "Factoring Agreement"). No amounts are currently outstanding under the Factoring Agreement.
3. Each of the Companies, other than JWC, have guaranteed JWC's obligations under the Loan Agreement and the Factoring Agreement. The obligations of the Companies owing to TFC are secured pursuant to a series of security documents (the "Security Documents").
4. Davies Ward Phillips & Vineberg LLP ("Davies"), the Monitor's counsel, has reviewed the Security Documents and has issued an opinion, subject to the standard qualifications and assumptions, confirming that TFC has a validly perfected security interest. A copy of the security opinion can be provided to the Court if requested.

2.1.2 Lind Global Macro Fund

1. On December 29, 2019, JWC entered into a convertible security funding agreement with Lind Global Macro Fund (“Lind”) and borrowed approximately \$2 million.
2. On March 10, 2020, JWC entered into a second convertible security funding agreement with Lind and borrowed approximately \$1.2 million.
3. The current amount owing to Lind under these agreements is approximately \$3.8 million and is secured by all of the assets of JWC, JWCL and Growthstorm. Interest and costs continue to accrue.

3.0 Update on Companies’ Activities

1. The Companies’ activities since the commencement of the proceedings have included:
 - a) operating its business in the ordinary course;
 - b) communicating with suppliers to secure goods and services during these proceedings and to address payment terms;
 - c) corresponding with the Companies’ landlords;
 - d) considering cost-saving initiatives;
 - e) corresponding regularly with representatives of the Monitor regarding numerous issues in these proceedings;
 - f) reporting daily receipts and disbursements;
 - g) addressing employee-related matters;
 - h) the retention of the CRO;
 - i) deploying communication plans to their employees and customers;
 - j) finalizing the SISF in consultation with the Monitor and Stoic; and
 - k) corresponding with the DIP Lender.

3.1 Cash Flow

1. Pursuant to the terms of the Initial Order, TFC was granted a DIP Charge to a maximum amount of \$800,000 to secure advances made under the DIP Facility from the date of the Initial Order to the Comeback Motion. TFC advanced \$800,000 to the Companies upon the issuance of the Initial Order.

2. As illustrated in the table below, substantially all of the funds advanced by TFC have been used to pay critical expenses including, but not limited to, payroll and rent. The Companies also spent approximately \$33,500 to purchase materials required to continue production, which expenses were not forecasted to be paid in the period, but were approved by TFC, consistent with the terms of the DIP Facility.

(unaudited; \$000s)	Apr 1 – Apr 6
Receipts	
Customers	13
HST Refund	82
DIP Financing	800
	895
Disbursements	
Payroll ¹	357
Rent	238
Other	74
TFC	-
Professional fees	-
	669
Net Cash Flow	226
Opening Cash Balance	44
Net Cash Flow	226
Ending Cash Balance	270

4.0 Monitor's Activities

1. The Monitor's activities since the commencement of these proceedings have included:
 - a) corresponding regularly with the Companies, including senior executives and the Special Committee, regarding various matters in these proceedings;
 - b) sending a letter to Health Canada regarding these proceedings;
 - c) assisting the Companies to procure goods and services;
 - d) working with the Companies to prepare a stakeholder communication strategy including frequently asked questions;
 - e) providing updates to the Special Committee concerning these proceedings;
 - f) mailing a notice to the Companies' creditors, as required pursuant to the CCAA;
 - g) preparing an email to the Service List as required pursuant to the E-Service Protocol;
 - h) making arrangements to have the CCAA notice published in the Globe and Mail pursuant to the CCAA;

¹ Including benefit payments.

- i) corresponding with the Companies' suppliers;
- j) monitoring the Companies' receipts and disbursements;
- k) drafting this Report;
- l) corresponding with Davies, Bennett Jones LLP, counsel to the Special Committee and the Companies' insolvency counsel, and Torys LLP, counsel to TFC, regarding various matters in these proceedings;
- m) corresponding with Stoic and the Companies regarding the terms of the SISP;
- n) corresponding and communicating with TFC;
- o) corresponding with the Companies regarding the engagement of the CRO;
- p) reviewing the terms of the Stalking Horse Agreement; and
- q) maintaining the service list.

5.0 SISP

5.1 Stoic

1. Stoic is a financial advisor to companies in the cannabis industry. Stoic has completed nine cannabis transactions valued at over \$2.7 billion. Attached as Appendix "C" is an overview of Stoic and its experience in the cannabis sector.
2. Stoic, under the supervision of the Special Committee and the Monitor, will be responsible for marketing and selling the Companies' business and assets pursuant to the SISP.
3. Stoic has a long-term relationship with the Companies that dates back to JWC's going-public transaction. Stoic formerly held an equity interest in AIM1 Ventures Inc. ("AIM1"). In 2017, AIM1 completed a public offering on the TSX Venture Exchange. Aaron Salz, the founder of Stoic, was the CEO of AIM1. In 2018, JWC completed a reverse-takeover ("RTO") of AIM1. In connection with the RTO, Stoic received equity in JWC, which it continues to hold, but which currently appears to have no value, as evidenced by the Companies' CCAA proceedings. Stoic has considerable knowledge of the Companies' business because of its history as an investor in JWC and AIM1.
4. Stoic also has an equity interest of less than 3% in TFC. Stoic has advised that it does not receive any fees or other compensation from TFC and that it has no ability to influence TFC. The Monitor understands that Stoic did not assist in the preparation of the stalking horse offer made by TFC.
5. In advance of these proceedings, the Special Committee determined that Stoic should be retained as financial advisor in connection with selling the Companies' business and/or assets and entered into the Stoic Engagement Letter. The Monitor understands that decision was independent of influence of TFC. Some or all of the Special Committee members are familiar with Stoic.

6. The Stoic Engagement Letter did not contemplate that Stoic’s mandate would be conducted in a restructuring process. Accordingly, with the assistance of the Monitor, the Companies and Stoic executed the Addendum, the main purposes of which are to structure Stoic’s fees to be consistent with these CCAA proceedings and to incentivize it to generate recoveries greater than the amount of the Stalking Horse purchase price.
7. A copy of the Stoic Engagement Letter, together with the Addendum, is attached as Appendix “D”.
8. Pursuant to the terms of the proposed SISP approval order, Stoic is prohibited from sharing any details concerning the SISP with TFC without the consent of the Special Committee and the Monitor, and only then with the Monitor present.
9. Stoic has already prepared marketing materials in connection with its mandate in the CCAA proceedings and is ready to launch the process if approved by the Court.
10. A summary of Stoic’s fees is as follows:
 - a) Work fee: \$75,000.
 - b) Success Fee:

Purchase Price	Success Fee (Percentage)
Stalking Horse purchase price	None
\$500,000 above the Stalking Horse Bid	15%
\$500,000-\$1,000,000 above the Stalking Horse Bid	25%
\$1,000,000 - \$1,500,000 above the Stalking Horse Bid	30%
\$1,500,000+ above the Stalking Horse Bid	10%

11. Based on a purchase price of \$1.5 million greater than the Stalking Horse Bid (assuming the Stalking Horse Bid amount is \$12 million), Stoic’s fee would be equal to 3.1% of the purchase price, inclusive of the work fee, which is payable in all circumstances.²
12. The Monitor recommends that the Court approve the Stoic Engagement Letter and the Addendum for the following reasons:
 - a) Stoic has significant experience in the cannabis sector, which is the focus of its business;
 - b) Stoic has deep knowledge of the Companies’ business and assets, which pre-dates JWC’s going public transaction;

² In this example, Stoic’s total fees would be \$425,000, comprised of a success fee of \$350,000 and a work fee of \$75,000. This equates to 3.1% of the purchase price of \$13.5 million.

- c) Stoic’s mandate will be supervised by the Special Committee and the Monitor and Stoic is precluded from discussing the SISP with TFC;
- d) Stoic is ready to launch the SISP immediately;
- e) the Special Committee and the Companies support the retention of Stoic; and
- f) the majority of Stoic’s fee is incentive based, which can only be realized if a transaction is completed for a value greater than the Stalking Horse Agreement.

6.0 SISP and Bidding Procedures³

6.1 Sale Process

1. The purpose of the stalking horse SISP is to market the Companies’ business and assets for sale, while providing certainty of a transaction so that the Companies’ business is preserved as a going concern.
2. A summary of the proposed SISP is as follows:

Milestone	Key Dates
Delivery of Teasers	April 10, 2020
Confidential Virtual Data Room to be opened ⁴	April 10, 2020
Bid Deadline	May 15, 2020
Auction (if any)	May 22, 2020
Approval and Sale Order hearing (no auction required)	May 29, 2020
Approval and Sale Order hearing (auction required)	June 5, 2020

6.2 Video

1. To facilitate diligence to be performed by parties that may be unable to attend the Companies’ premises in person due to the COVID-19 pandemic, and to provide an opportunity for such parties to participate in the SISP, the Companies have retained Hyde Advisory & Investments (“Hyde”) to prepare a video presentation of the critical aspects of the Companies’ facilities. The principal of Hyde is David Hyde. Since 2013, Mr. Hyde has consulted with over 550 cannabis businesses. A summary of his experience is provided in Appendix “E”. The video is in progress.

³ Capitalized terms in this section have the meaning provided to them in the Stalking Horse Agreement or the Bidding Procedures unless otherwise defined herein.

⁴ Interested parties will be provided access subject to signing a confidentiality agreement.

6.3 Bidding Procedures

1. The Bidding Procedures are provided in Schedule “C” to the Stalking Horse Agreement. The Bidding Procedures are summarized below.

6.3.1 Qualified Bids

1. To be a “Qualified Bid”, a bid must, at a minimum, meet the following requirements:
 - a) a cash purchase price of approximately \$11.95 million, being the estimated amount payable under the Stalking Horse Agreement (\$7.6 million), inclusive of the Closing Cash Payment, plus the DIP Facility (\$4 million) plus the Expense Reimbursement (up to \$100,000, including HST) and an initial bid increment of \$250,000 (the “Base Purchase Price”);
 - b) a provision stating that the bidder’s offer is irrevocably open for acceptance until the earlier of (i) the date the Purchased Assets have been sold pursuant to a transaction approved by the Court; and (ii) the Outside Date;
 - c) an executed copy of a proposed purchase agreement must be submitted by the Bid Deadline together with a redline of the bidder’s proposed purchase agreement reflecting variations from the Stalking Horse Agreement; and
 - d) a cash deposit of not less than 15% of the Base Purchase Price offered.⁵
2. TFC, as the stalking horse bidder, is a Qualified Bidder.
3. Although the Companies are seeking bids to purchase the Companies’ assets, the Companies will also consider a bid that contemplates a Plan of Restructuring for the Companies (a “Plan Bid”) provided that such Plan Bid will only be a Qualified Bid if it: (i) provides for payment in full of the amounts owing to TFC on or before the Outside Date; (ii) has conditions that, in the reasonable opinion of the Companies and the Monitor, are likely to be satisfied; and (iii) includes a commitment to provide any additional interim financing required by the Companies to complete all steps required to implement such Plan Bid, such financing to be subordinate to the existing DIP Charge.
4. The Companies will also consider separate bids to acquire some or all of the Companies’ assets, provided that they cumulatively meet the criteria of a Qualified Bid.

⁵ The Stalking Horse is not required to pay a deposit.

6.3.2 Auction

1. If no Qualified Bids are submitted by the Bid Deadline, TFC will be the Successful Bidder.
2. If one or more Qualified Bids are received by the Bid Deadline:
 - a) the Monitor will notify the Qualified Bidders who made a Qualified Bid that the Auction will be conducted either by video conference or in person at the Toronto office of Davies at 10:00 a.m. (Eastern Time) on May 22, 2020 or such other time and place that the Monitor may advise;
 - b) only a Qualified Bidder is eligible to participate in the Auction. The Monitor shall disclose to all Qualified Bidders the amount of the Leading Bid by 5:00 p.m. (Eastern Time) three days before the date scheduled for the Auction. Each Qualified Bidder must inform the Monitor whether it intends to participate in the Auction no later than 12:00 p.m. (Eastern Time) on the Business Day prior to the Auction;
 - c) any Overbid shall be made in minimum Cash Purchase Price increments of \$100,000 above the Opening Bid, or in such increments the Monitor, in consultation with the Special Committee, may determine in order to facilitate the Auction (the "Minimum Overbid Increment"). The amount of the cash purchase price consideration or value of any Overbid shall not be less than the cash purchase price consideration or value of the Opening Bid, plus the Minimum Overbid Increment(s) at that time, plus any additional Minimum Overbid Increments;
 - d) at the end of each round of bidding, the Monitor shall announce the identity of the Qualified Bidder and the material terms of the then highest and/or best Overbid, including the nature of the transaction, the assets proposed to be acquired and the obligations proposed to be assumed, and the basis for calculating the total consideration offered in such Overbid based on, among other things, the Bid Assessment Criteria;
 - e) if, at the end of any round of bidding, a Qualified Bidder (other than the Qualified Bidder that submitted the then highest and/or best Overbid or Opening Bid, as applicable) fails to submit an Overbid, then such Qualified Bidder shall not be entitled to continue to participate in the next round of the Auction;
 - f) the Auction shall be closed after the Special Committee, after considering the Monitor's recommendation has: (i) reviewed the final Overbid of each Qualified Bidder taking into consideration the Bid Assessment Criteria; and (ii) identified the Successful Bid and the Back-Up Bid and the Monitor advised the Qualified Bidders participating in the Auction of such determination; and

- g) promptly following a Bid of a Qualified Bidder being declared the Successful Bid or the Back-Up Bid, the Qualified Bidder shall execute and deliver such revised and updated definitive transaction agreements as may be required to reflect and evidence the Successful Bid or Back-Up Bid. For greater certainty, every Bid made at Auction is deemed to be a signed and binding bid based on the terms and conditions of the bidder's original Qualified Bid (other than Purchase Price).

6.4 The Stalking Horse Agreement

1. A copy of the Stalking Horse Agreement is attached as Appendix "F".
2. The key terms and conditions of the Stalking Horse Agreement are provided below.
 - **Purchaser:** TFC;
 - **Stalking Horse Purchase Price:** estimated to be \$11.7 million, including the Monetary Purchase Price plus the Assumed Obligations. The Monetary Purchase Price is the sum of: a) the Credit Bid Amount, being the amount owing by the Companies under the Loan Agreement as of the Closing Date (estimated to be \$7.6 million); and b) the Closing Cash Payment, being an amount to be determined with the Monitor which will be sufficient to pay (i) any outstanding Priority Payables, (ii) accrued amounts not paid under the DIP Facility as of the Closing Date, and (iii) the reasonable costs to wind-down the Companies (collectively, estimated to be \$100,000). The Assumed Obligations include the DIP Facility which is expected to be approximately \$4 million as of the Closing Date;
 - **Purchased Assets:** all of the Companies' Assets, other than the Excluded Assets;
 - **Excluded Assets:** the Companies' benefit plans;
 - **Assumed Obligations:** consist of the following:
 - a) the DIP Facility;
 - b) all debts and obligations under the Contracts;
 - c) the obligation and liability for the Companies to pay Cure Costs in respect of the Contracts; and
 - d) all debts, liabilities and obligations arising from ownership and use of the Purchased Assets for the period from and after the Closing Time.
 - **Excluded Obligations**
 - a) all debts, liabilities, obligations or Claims related to any Benefit Plans, Employees or any Excluded Asset;
 - b) all debts, liabilities and obligations related to any Purchased Asset arising out of or related to the period prior to the Closing Time;

- c) all obligations and liabilities owing by the Companies to any Affiliate;
 - d) all debts, liabilities and obligations for or related to any obligation for any taxes that are not expressly assumed by TFC;
 - e) all taxes imposed on or relating to the Purchased Assets that are attributable to any pre-Closing tax period whether or not any such period ends on or before the Closing Date (other than any Transfer Taxes); and
 - f) all debts, liabilities and obligations of the Companies arising under this Agreement.
- **Representations and Warranties:** consistent with the standard terms of an insolvency transaction, i.e. on an “as is, where is” basis, with limited representations and warranties.
 - **Closing:** the date that is three (3) Business Days after the date that the Approval and Vesting Order is obtained or such other date as may be agreed by the Parties.
 - **Material Conditions:**
 - (i) the Approval and Vesting Order and Sale Process Order shall have been obtained and shall not have been stayed, varied, or vacated (or any such appeal shall have been dismissed with no further appeal therefrom);
 - (ii) the Transition Agreement shall have been approved by the Court;
 - (iii) TFC shall have obtained a valid and binding assignment of the Health Canada Licenses or replacement licenses that are substantially similar to the Health Canada Licenses, in each case on terms satisfactory to TFC, in its sole discretion.
 - (iv) no order shall have been issued by a Governmental Authority which restrains or prohibits the completion of the Transaction; and
 - (v) no motion, action or proceedings shall be pending by or before a Governmental Authority to restrain or prohibit the completion of the Transaction.
 - **Termination:** the Stalking Horse Agreement can be terminated:
 - (i) upon mutual written agreement of the Companies and TFC and on the consent of the Monitor;
 - (ii) if any of the conditions in favour of TFC or the Companies are not waived or satisfied; or
 - (iii) Closing has not taken place by the Outside Date, being June 30, 2020.

6.5 Bid Protections

1. The Stalking Horse Agreement includes an Expense Reimbursement of up to \$100,000 in respect of actual legal, diligence and other costs incurred by TFC in respect of the SISP, including drafting and negotiating the Stalking Horse Agreement in the event that a superior transaction is completed with another party.
2. The purpose of the Expense Reimbursement is to, *inter alia*, provide TFC with a means to recover its costs and expenses incurred in connection with the Stalking Horse Agreement in the event it is not the successful bidder.
3. The Stalking Horse Agreement does not include a break fee.
4. The Monitor is of the view that the Expense Reimbursement is reasonable in the circumstances and reflects the costs of the Stalking Horse to prepare the Stalking Horse Bid and to negotiate the SISP and other related motion materials. Moreover, the expenses incurred by TFC could otherwise be added as an expense under the DIP Facility or Loan Agreement. The Monitor is of the view that the Expense Reimbursement will not discourage interested parties from submitting offers for the Purchased Assets.

6.6 Considerations Regarding the Stalking Horse Agreement

1. The Monitor considered whether TFC's offer warrants it being a stalking horse bid, as opposed to TFC simply being a bidder in the process. The Monitor's considerations included that the Stalking Horse Agreement provides certainty to the Companies' customers, employees and other stakeholders and Health Canada that a going concern transaction will be completed. This is particularly important given the current COVID-19 pandemic. Moreover, the Stalking Horse Agreement is not being approved as the Successful Bidder at this time, but is subject to the outcome of the SISP, and the Stalking Horse Agreement does not contain a break fee.

6.7 SISP Recommendation

1. The Monitor recommends that this Court issue an order approving the Stalking Horse Agreement and the SISP for the following reasons:
 - a) the SISP provides for a wide marketing of the Companies' business by Stoic, which has extensive experience in the sector and knowledge of the Companies;
 - b) stalking horse sale processes are a recognized mechanism in restructuring processes to maximize recoveries, while creating stability for the business;
 - c) the Bidding Procedures allow a market test for the benefit of all stakeholders and provide an opportunity to complete a transaction with greater value than the Stalking Horse Agreement;
 - d) it is in the best interests of the Companies' stakeholders that the Stalking Horse Agreement be preserved in order to have the opportunity to maximize value and to protect downside risk in the event that a superior offer is not submitted;

- e) the duration of the SISP is sufficient to allow interested parties to perform diligence and submit offers;
- f) the Companies and Stoic have commissioned a video to facilitate due diligence by parties who are unable to attend the Companies' facilities in person;
- g) the Companies and the Special Committee are supportive of the SISP and the Stalking Horse Agreement; and
- h) the Monitor does not believe that the Expense Reimbursement will discourage potential purchasers from participating in the Sale Process.

7.0 CRO Engagement⁶

1. On April 5, 2020, JWC and HC executed the CRO Engagement Letter. Howard Steinberg will be the primary person providing the services for HC. Mr. Steinberg has experience with cannabis and distressed companies. The retention of HC as CRO is a condition of the DIP Facility. Based on the Monitor's involvement with the Companies and the Special Committee since the commencement of these proceedings, it appears that the Companies would benefit by augmenting the senior management team to add stability to the business during the CCAA proceedings. In addition to Mr. Steinberg's experience in the cannabis sector, he is formerly a senior executive of several financial institutions and has been involved in numerous restructurings in that capacity.
2. A copy of the redacted CRO Engagement Letter is attached to the Companies' motion materials. The Companies are seeking a sealing order to redact the CRO Engagement Letter for the amount of HC's monthly fees and the success fees.
3. Mr. Steinberg is currently on the Board of Directors for TFC and a member of the Special Committee. The CRO Engagement Letter contemplates that Mr. Steinberg will resign from the Special Committee and JWC's Board contemporaneously with becoming CRO and that he will not participate in any TFC Board of Director discussions regarding the Companies.
4. The Monitor understands that Mr. Steinberg is currently in Florida and unable to travel given the COVID-19 pandemic; however, Mr. Steinberg will be in daily contact with management and has assembled a team of experienced cannabis consultants to assist the Companies in person. Mr. Steinberg has been fulfilling his duties and obligations as a member of the Special Committee remotely, as is the case with all Special Committee members.
5. A summary of the key terms of the CRO Engagement Letter is provided below.
 - **Term:** commences on the date the Court grants an order approving this Agreement and continues until the earlier of: a) termination in accordance with the terms of the CRO Engagement Letter; and b) the closing of a sale of all or substantially all of the assets of the Companies.

⁶ Capitalized terms in this section have the meaning provided to them in the CRO Engagement Letter.

- **Reporting:** HC and Steinberg shall report exclusively to the Special Committee and shall be subject to the oversight of the Monitor. HC and Steinberg shall also consult with the CEO, those designated by the CEO or the Special Committee, TFC, the Companies' legal advisors and the Monitor.
 - **Duties:** HC's duties are limited to operational issues, growing sales and improving profitability. Unless agreed to in advance in writing by the Monitor and the Special Committee, HC and Steinberg shall have no involvement in the SISP, including, no contact with any potential bidders. Mr. Steinberg will not be provided updates of any kind concerning the SISP from any party, including the Special Committee, the Monitor or Stoic.
 - **Fees:** HC will be paid a monthly fee (the April 2020 fee will be pro rated). HC will also be paid a success fee. In the event a successful transaction is completed to a party other than the Stalking Horse, in accordance with the terms of the Bidding Procedures. In the event that the Companies consummate a successful transaction in the SISP which results in all secured creditors of the Companies being repaid in full, HC shall receive a further success fee equal to a percentage by which the aggregate transaction value of such successful transaction exceeds the secured debt of the Companies. The success fees reflect the value that will be generated to assist the Companies to conduct their business during these proceedings without operational disruption. Additionally, if value beyond the secured debt is realized, this may also be reflective of the effort of the CRO.
 - **Charges:** the Monthly Fees and Expenses payable to HC (exclusive of any Success Fee) are entitled to the benefit of the Administration Charge.
 - **Termination:** either party may terminate the agreement at any time upon at least five business days' prior written notice to the other, but in the case of the Companies, only following approval by the Special Committee after consultation with the Monitor. HC shall be entitled to receive any pro-rated Monthly Fees and reimbursement of all expenses up to the effective termination date. The obligation of the Companies to pay the Success Fee shall survive termination of this Agreement unless this Agreement is terminated on or before April 20, 2020, in which case, subject to further order of the Court, the Companies will have no obligation to pay the Success Fee.
6. The Monitor recommends that the Court approve the CRO Engagement Letter for the following reasons:
- a) the Special Committee supports the retention of the CRO and the terms of its retention, including the amount of his compensation and the compensation structure;
 - b) the proposed services have been determined in consultation with Monitor;
 - c) the Monitor is of the view that the proposed remuneration for the CRO is fair and reasonable, in the circumstances;
 - d) the Monitor is of the view that the Companies would benefit from the stability provided by a CRO;

- e) it is customary for a Chief Restructuring Officer to receive a priority charge for fees and expenses;
- f) safeguards have been implemented so that Mr. Steinberg will not be involved in the SISP. Mr. Steinberg's role is limited to operational and other non-SISP restructuring matters; and
- g) Mr. Steinberg has the experience to perform the mandate.

8.0 Cash Flow Forecast

1. The Companies have prepared the cash flow forecast for the period March 28, 2020 to June 26, 2020 (the "Cash Flow Forecast"). The Cash Flow Forecast was attached to the Pre-Filing Monitor's Report dated March 31, 2020 (the "Pre-Filing Report"). A copy of the Pre-Filing Report is attached as Appendix "G". The Cash Flow Forecast reflects that the Companies will have sufficient liquidity until June 26, 2020, provided the Court increases the DIP Charge from \$800,000 to \$4 million. A description of the DIP Facility is provided in the Pre-Filing Report. Pursuant to the terms of the DIP Facility, certain fees will be paid to TFC if the Court increases the DIP Charge to \$4 million, including a \$120,000 upfront fee.
2. On April 3, 2020, the Ontario government announced that all brick and mortar cannabis stores are required to close for two weeks given the COVID-19 pandemic, but that the Ontario government operated online Ontario Cannabis Store ("OCS") will remain open. JWCL supplies products to the Ontario Cannabis Retail Corporation for sale to the recreational market, including through the OCS. The Monitor also understands that the Companies do not sell product through the brick and mortar cannabis stores and most of their projected sales are generated via online purchases. Accordingly, the Monitor is of the view that no changes are required to the Cash Flow Forecast at this time.

9.0 Stay Extension

1. The stay of proceedings currently expires on April 10, 2020. The Companies are requesting an extension of the Stay Period until June 26, 2020.
2. The Monitor supports the request for an extension of the stay of proceedings for the following reasons:
 - a) the Companies are acting in good faith and with due diligence;
 - b) no creditor will be prejudiced if the extensions are granted;
 - c) it will allow the Companies time to conduct the SISP which is expected to be completed prior to June 26, 2020;
 - d) as of the date of this Report, neither the Companies nor the Monitor is aware of any party opposed to an extension; and
 - e) the Companies are projected to have sufficient liquidity to fund their operations until June 26, 2020.

10.0 Court Ordered Charges

1. The Amended and Restated Initial Order provides for the following charges on the Property, each as described below.

Proposed Charged & Priorities	Amount (\$000s)
1. Administration Charge	600
2. D&O Charge	1,050
3. DIP Charge	4,000

10.1 Administration Charge

1. The Initial Order granted a \$500,000 Administration Charge. The Companies are seeking to increase the Administration Charge to \$600,000, *inter alia*, in light of the risk that revenue may not meet projections due to the COVID-19 pandemic and to provide security for the CRO's monthly fee and expenses. The Monitor is of the view that the increased Administration Charge is required and reasonable in the circumstances.

10.2 D&O Charge

1. The Initial Order approved a D&O Charge in the amount of \$450,000 to secure any liabilities that may accrue to the directors and officers until the Comeback Motion. The Companies are seeking to increase the D&O Charge to \$1,050,000 to provide additional exposure that will accrue.
2. As provided in the table below, the amount of the D&O Charge was estimated by the Companies in consultation with the Monitor, taking into consideration payroll obligations, sales tax obligations and the Companies' vacation pay liability:

(unaudited)	Amount (\$)
Payroll, including source deductions	612,000
Vacation pay	110,000
Sales tax	328,000
Total	1,050,000

3. The Monitor understands that the Companies are current on their normal course payroll obligations (including withholding taxes).
4. The Cash Flow Forecast contemplates payroll and sales taxes will continue to be paid in the ordinary course and the Companies are projected to have sufficient liquidity to do so provided the DIP Charge is approved.
5. The directors and officers shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy or to the extent such coverage is insufficient to pay an indemnified amount as described above.
6. The Monitor is of the view that the increased D&O Charge is required and reasonable in the circumstances and that the continued involvement of the directors and officers is beneficial to the Companies and these proceedings.

10.3 DIP Charge

1. The Companies are seeking to increase the DIP Charge from \$800,000 to \$4 million, which is the maximum amount available under the DIP Facility. The Monitor is of the view that an increased DIP Charge is required as: (i) the Companies are in immediate need of liquidity to fund the business; (ii) the Cash Flow Forecast reflecting the requirement under the DIP Charge appears reasonable; (iii) the terms of the DIP Facility are reasonable for the reasons set out in the Pre-Filing Report; and (iv) TFC is not prepared to provide further financing without the benefit of the increased DIP Charge.

11.0 Conclusion and Recommendation

1. Based on the foregoing, KSV respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1 (1)(h) of this Report.

* * *

All of which is respectfully submitted,



KSV KOFMAN INC.

IN ITS CAPACITY AS MONITOR OF

JAMES E. WAGNER CULTIVATION CORPORATION, JAMES E. WAGNER CULTIVATION LTD., JWC 1 LTD., JWC 2 LTD., JWC SUPPLY LTD. AND GROWTHSTORM INC. AND NOT IN ITS PERSONAL CAPACITY

Appendix “A”

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.

)

WEDNESDAY, THE 1st

JUSTICE HAINEY

)

DAY OF APRIL, 2020

)



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 JAMES E. WAGNER CULTIVATION
CORPORATION, JAMES E. WAGNER CULTIVATION LTD.,
JWC 1 LTD., JWC 2 LTD., JWC SUPPLY LTD. AND
GROWTHSTORM INC.

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

INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day via telephonic conference.

ON READING the affidavits of Nathan Woodworth sworn March 31, 2020 and Aiden Nelms sworn March 31, 2020 and the Exhibits to each affidavit thereto, and on being advised that Trichome Financial Corp., Lind Global Macro Fund, LP and the other secured creditors of the Applicants who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants, KSV Kofman Inc. ("**KSV**"), the DIP Lender (as defined below) and on reading the consent of KSV to act as the Monitor,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that each Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

3. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their respective current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

4. **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize the central cash management system currently in place or, with the consent of the Monitor, replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any

transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

5. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by any of the Applicants to any of their creditors as of this date unless such payments are contemplated under the Commitment Letter and the Definitive Documents (each as defined below) and consented to by the Monitor; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

6. **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and employee expenses payable on or after the date of this Order, in each case incurred in the ordinary course of Business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors' and officers' insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicants following the date of this Order.

8. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

9. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise

may be negotiated between the Applicants and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

RESTRUCTURING

10. **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as defined below), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding \$100,000 in any one transaction or \$250,000 in the aggregate;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
- (c) pursue all avenues of refinancing of their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

each of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business .

11. **THIS COURT ORDERS** that the Applicants shall provide each of the relevant landlords with notice of the Applicants' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicants' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further Order of this Court upon application by the Applicants on at least two (2) days notice to such landlord and any such secured creditors. If an Applicant disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease

pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the applicable Applicant's claim to the fixtures in dispute.

12. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

13. **THIS COURT ORDERS** that until and including April 10, 2020, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicants or the Monitor or their respective employees and representatives acting in such capacities, or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of any of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

14. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicants or the Monitor or their respective employees and representatives acting in such capacities, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall: (i) empower the Applicants to carry on any business which the

Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

15. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by any of the Applicants, except with the written consent of the applicable Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

16. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with any of the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, ERP software communication and other data services, centralized banking services, security services, payroll services, insurance, transportation services, utility or other services to the Business or any of the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by any of the Applicants, and that each of the Applicants shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the applicable Applicant in accordance with normal payment practices of the applicable Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the applicable Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

17. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-

advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

18. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of any of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of any of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the applicable Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the applicable Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

19. **THIS COURT ORDERS** that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

20. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$450,000.00, as security for the indemnity provided in paragraph 19 of this Order. The Directors' Charge shall have the priority set out in paragraphs 39 and 41 herein.

21. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 19 of this Order.

APPOINTMENT OF MONITOR

22. **THIS COURT ORDERS** that KSV is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by any of the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

23. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in their dissemination, to the DIP Lender and its counsel on a weekly basis of financial and other information as agreed to between the Applicants and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (d) advise the Applicants in their preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel and financial advisor on a periodic basis, but not less than weekly, or as otherwise agreed to by the DIP Lender;
- (e) advise the Applicants in their development of the Plan and any amendments to the Plan;

- (f) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (i) perform such other duties as are required by this Order or by this Court from time to time.

24. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property or be deemed to take possession of Property, pursuant to any provision of any federal, provincial or other law respecting, among other things, the manufacturing, possession, processing and distribution of cannabis or cannabis products including, without limitation, under the *Cannabis Act* S.C. 2018, c.16, the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19, the *Excise Tax Act*, the *Ontario Cannabis Control Act*, S.O. 2017, c. 26, Sched. 1 or other such applicable federal or provincial legislation (collectively, the "**Cannabis Legislation**"), and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof, within the meaning of any Cannabis Legislation, or otherwise, and nothing in this Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

25. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the

protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

26. **THIS COURT ORDERS** that, in addition to the rights and protection afforded to the DIP Lender under this Order or at law, the DIP Lender shall incur no liability or obligation as a result of carrying out of the provisions of this Order, including under any Cannabis Legislation, save and except for any gross negligence or willful misconduct on its part.

27. **THIS COURT ORDERS** that up to and including April 10, 2020, the Applicants shall not make any expenditures or disbursements without the prior knowledge or consent of the Monitor.

28. **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Applicants and the DIP Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

29. **THIS COURT ORDERS** that, in addition to the rights and protections afforded to the Monitor under the CCAA or as an officer of this Court, neither the Monitor nor its respective employees and representatives acting in such capacities, shall incur any liability or obligation as a result of the appointment of the Monitor or the carrying out by it of the provisions of this Order, including under any Cannabis Legislation, save and except for any gross negligence or

willful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

30. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and counsel to the Applicants shall be paid their reasonable fees and disbursements related to these proceedings, in each case at their standard rates and charges, whether incurred prior to, on or subsequent to, the date of this Order by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, and counsel for the Applicants on a weekly basis.

31. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

32. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$500,000.00 as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 39 and 41 hereof.

DIP FINANCING

33. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility (the "**DIP Loan**") from Trichome Financial Corp. (in such capacity, the "**DIP Lender**") in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$4,000,000.00 unless permitted by further Order of this Court.

34. **THIS COURT ORDERS THAT** such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicants and the DIP Lender dated as of March 31, 2020 (the "**Commitment Letter**"), filed.

35. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

36. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 39 and 41 hereof.

37. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon 7 days' notice to the Applicants and the Monitor, may exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and

- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

38. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA, or any proposal filed by the Applicants under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

39. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows:

First - Administration Charge (to the maximum amount of \$500,000.00);

Second - Directors' Charge (to the maximum amount of \$450,000.00); and

Third - DIP Lender's Charge (to the maximum amount of \$800,000.00).

40. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge, the DIP Lender's Charge, or the Directors' Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

41. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

42. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants

also obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Charges, or further Order of this Court.

43. **THIS COURT ORDERS** that the Charges, the Commitment Letter, and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents shall create or be deemed to constitute a breach by the Applicants of any Agreement to which any of them are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the Commitment Letter, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Applicants pursuant to this Order, the Commitment Letter or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

44. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

RELIEF FROM REPORTING OBLIGATIONS

45. **THIS COURT ORDERS** that none of the directors, officers, employees, or other representatives of the Applicants, nor the Monitor (and its directors, officers, employees or representatives) shall have any personal liability for failure of the Applicants to file annual information forms, annual and quarterly management discussion and analysis, annual and quarterly financial statements (including related audits, reports and certifications) for the Stay Period, which period may be extended pursuant to further Order of the Court.

SERVICE AND NOTICE

46. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in The Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, or cause to be sent, in the prescribed manner, a notice to every known creditor who has a claim against any of the Applicants of more than \$1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

47. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL – <https://www.ksvadvisory.com/insolvency-cases/case/james-e-wagner-cultivation-corporation> (the "**Website**").

48. **THIS COURT ORDERS** that the Applicants and the Monitor and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be

reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicants' creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

GENERAL

49. **THIS COURT ORDERS** that each of the Applicants or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of its powers and duties under this Order or in the interpretation or application of this Order.

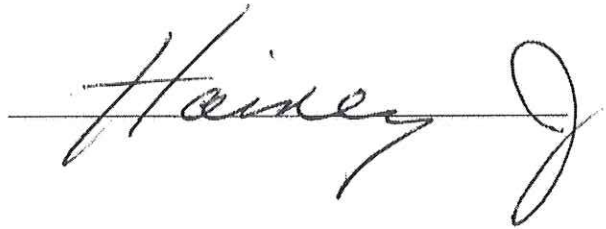
50. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

51. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

52. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

53. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

54. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Toronto time on the date of this Order.

A handwritten signature in black ink, appearing to read "Heiney J.", written over a horizontal line.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

APR 01 2020

PER / PAR: RW

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF JAMES E. WAGNER CULTIVATION CORPORATION, JAMES E. WAGNER CULTIVATION LTD., JWC 1 LTD., JWC 2 LTD., JWC SUPPLY LTD AND GROWTHSTORM INC.

Court File No. CV-20-00639000-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced in Toronto

INITIAL ORDER

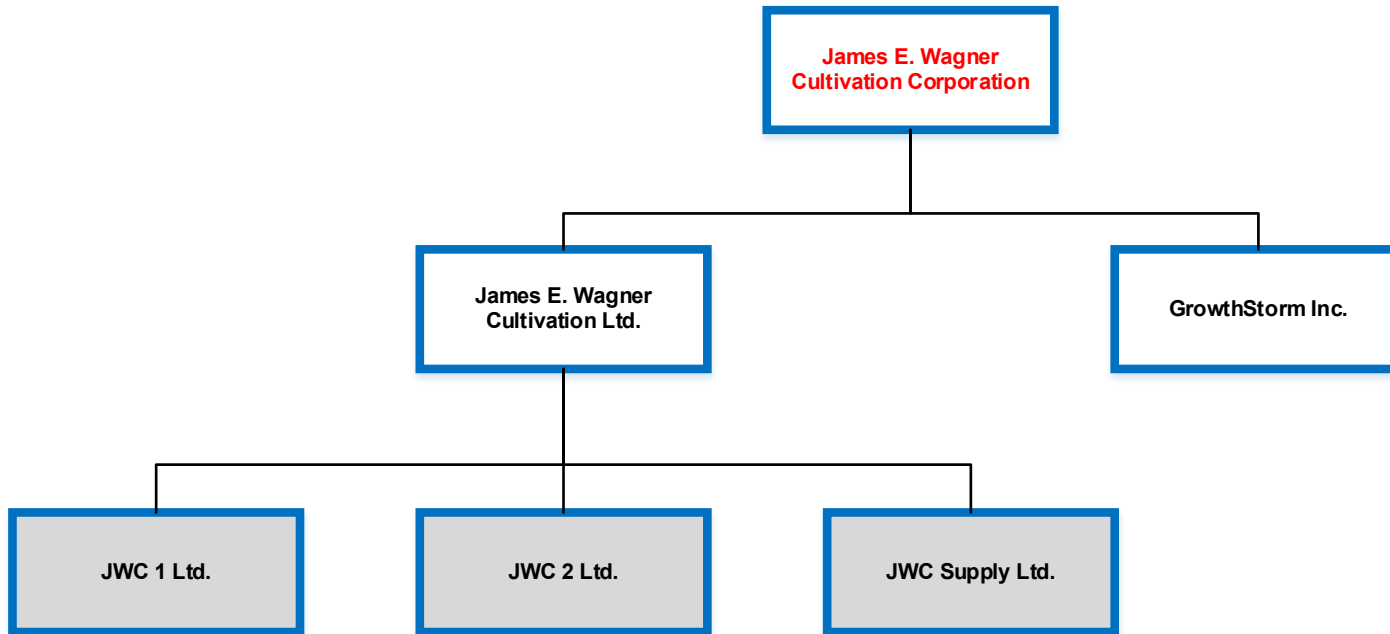
BENNETT JONES LLP
One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4
Sean Zweig (LSO# 57307I)
Mike Shakra (LSO# 64604K)
Aiden Nelms (LSO# 74170S)

Tel: 416-863-1200
Fax: 416-863-1716

Lawyers for the Applicants

Appendix “B”

James E. Wagner Cultivation Corporation Organizational Structure



Appendix “C”

STOIC ADVISORY

April 2020

Stoic Advisory is an active advisor, investor and participant in the global cannabis industry

Selective in our engagements and focus, we offer tailored solutions with first-class execution, helping our clients realize full value and achieve their strategic goals.

We are also active principal investors and venture capitalists across the cannabis value chain.

Company Ideation and Creation

- Conceive specialized entities targeting underserved industry segments
- Invest and source seed capital with curated shareholder base
- Form capital pool companies for RTOs, go-publics

Angel & Venture Capital Investments

- Invest in companies with passionate entrepreneurs hitting a critical juncture
- Offer hands-on operational and board level bench strength
- Target underserved industry segments and high growth potential, novel offerings

Principal Investments

- Strategic investments in seasoned operators, taking both passive and active roles
- Provide traditional corporate financial advisory services
- Exposure to companies of varying sizes and stages

Exits and Strategic Alternatives

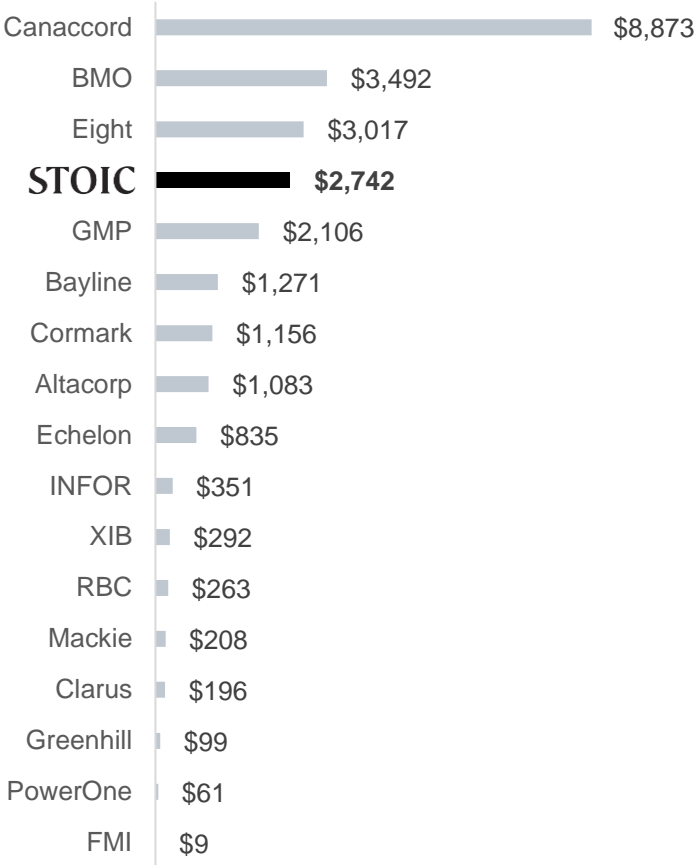
- Financial advisory services for M&A opportunities
- Special committees and board of directors mandates
- Strategic alternative assessment and execution

Cannabis M&A Financial Advisor League Table

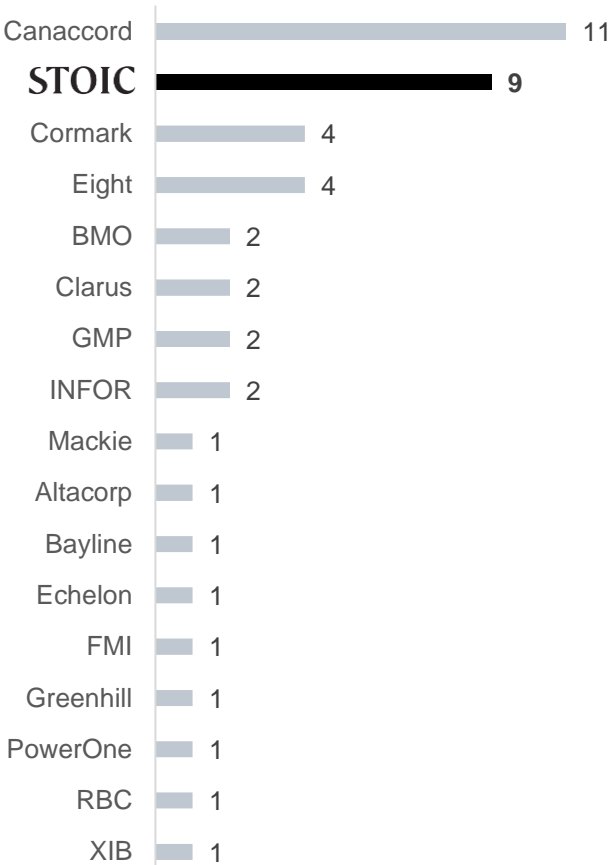


Stoic has cemented its position as a top cannabis M&A financial advisor despite the entry of larger financial institutions

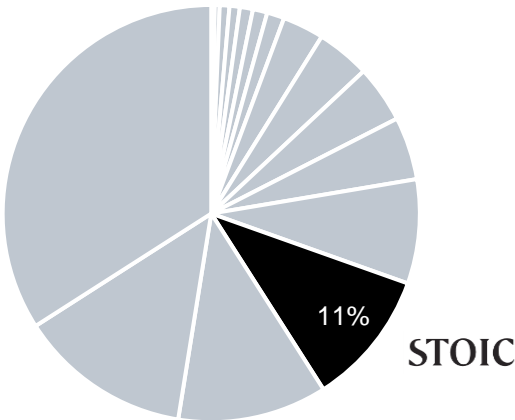
Transaction Value (C\$mm)



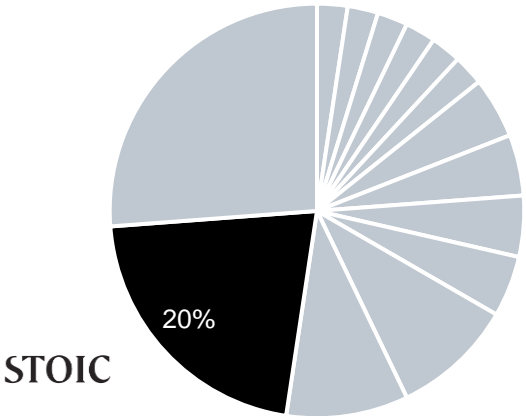
Number of Transactions(#)



Market Share by Transaction Value



Market Share by Transaction Count



We are pioneering analysts and investment bankers in the cannabis industry, dating back to 2013, with a track record of advising on numerous notable industry transactions.

- **Stoic's** team includes cannabis-focused ex-equity research analysts and investment bankers
 - Played a pivotal role in public capital markets development with early comprehensive research coverage
 - Have interacted and developed relationships with all prominent LPs in Canada and US multi-state-operators (MSO)
 - Developed a significant rolodex of industry stakeholders from across the world (including corporations, investment funds, private equity groups, family offices, and investment banks)
 - Frequently quoted in the press, including the Financial Post, Bloomberg, Reuters, and Financial Times, and a regular speaker at industry conferences
- **M&A:** Successfully advised on \$2.7 billion of cannabis M&A transactions to-date
- **Capital Raise:** Strategically advised on more than \$180 million in private market capital raises
- **Strategic Investment:** Formed, developed, and provided and sourced seed capital for multiple cannabis companies
- **Go-Public:** Assisted go-public transactions, including the formation of shells (RTO for Canopy Rivers, JWC, and Southern Sun)
- **Principal Investments:** Made 50+ principal investments in the cannabis sector, including a number of early-stage investments

We are pioneering analysts and investment bankers in the cannabis industry, dating back to 2013, with a track record of advising on numerous notable industry transactions.

**Aaron Salz, CFA
Principal & Founder**

- Founded Stoic Advisory in 2016
- Formerly an Investment Analyst at Interward Asset Management, a specialist investment firm based in Toronto
- Spent over four years at Dundee Capital Markets (now Eight Capital), covering medical & recreational cannabis companies, pioneering research coverage of the cannabis sector in 2014, including the development of well-known industry valuation metrics

**Mason Brown, CFA
Director**

- Joined Stoic Advisory in March 2017
- Formerly an Equity Research Analyst covering medical & recreational cannabis companies at a boutique investment bank in Toronto; became established for leading industry and issuer commentary
- Before Research Analyst role, was an Investment Banking Analyst at the same boutique investment bank, having worked primarily on transactions in cannabis

**Michael Lederman
Associate**

- Joined Stoic Advisory in February 2018
- Formerly an Aviation Finance Associate at ECN Capital Corp. (f/k/a Element Financial Corporation), a Toronto based equipment financier
- Prior to ECN, was the Director of Finance at Paymobile Inc., a financial technology company providing mobile payment platform solutions

Recent Stoic M&A Transactions



\$103 million

Financial Advisor
on purchase of
Starseed Holdings

DECEMBER 2019



\$1,142 million

Financial Advisor
on sale to
Curaleaf Holdings, Inc.

JULY 2019



\$175 million

Financial Advisor on sale to
Aurora Cannabis Inc.

MARCH 2019



\$133 million

Financial Advisor
on sale to
VIVO Cannabis

AUGUST 2018



\$826 million

Financial Advisor
on purchase of
Nuuvera Inc.

MARCH 2018



\$28 million

Financial Advisor
on sale to
RavenQuest Biomed Inc.

MARCH 2018



\$230 million

Financial Advisor
on purchase of
Broken Coast Cannabis

FEBRUARY 2018



\$219 million

Financial Advisor
on merger with
DOJA Cannabis Company

JANUARY 2018

A Closer Look: Grassroots



Transaction Summary

- On July 17, 2019, Curaleaf Holdings, Inc., a leading vertically-integrated multi-state-operator of cannabis assets in the United States, announced it agreed to acquire GR Companies, Inc. (“Grassroots”) in a cash and stock deal valued at US\$875mm
- As of the announcement of the transaction, Grassroots was the largest privately-held, vertically-integrated, multi-state-operator of cannabis assets in the United States, boasting 61 dispensary licenses and 17 processing and cultivation licenses, including being a market leader throughout the Midwest states
- From engagement onset, Grassroots’ management team endeavoured to create value and liquidity for their shareholders, while remaining a relevant entity in the cannabis industry and creating opportunities for management to be involved with partnerships with larger non-cannabis companies

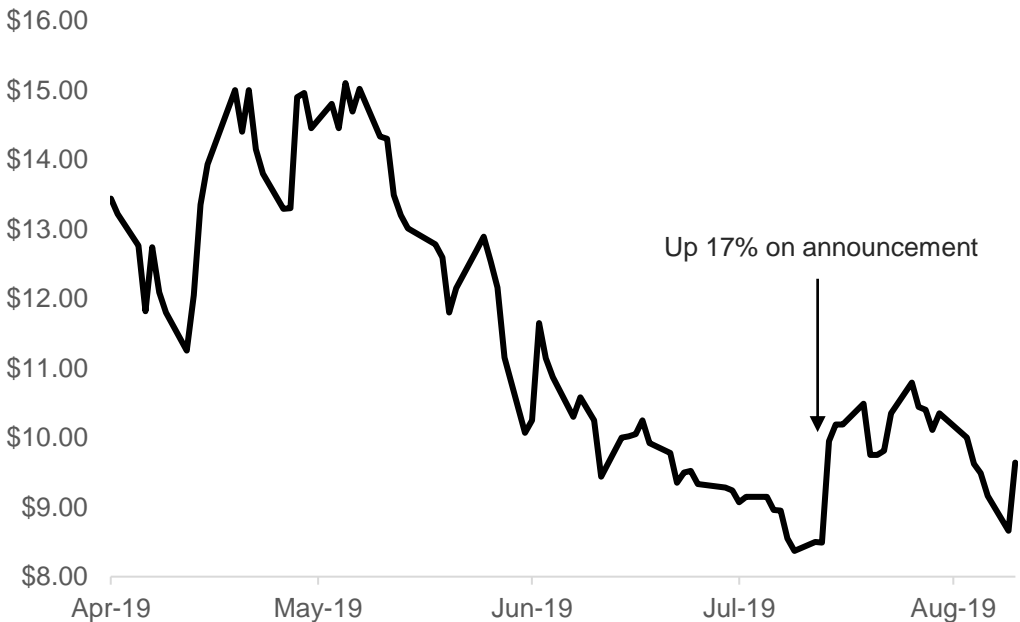
Stoic’s Role

- Stoic engaged a relationship with Grassroots in late 2018, investing in the company over multiple rounds, as well as providing fulsome advisory services to the senior management team
- Stoic supported Grassroots with asset valuation, M&A advisory, entity roll-ups, capital raise guidance and industry stewardship, and eventually, serving as the sell-side financial advisor for Grassroots, in their sale to Curaleaf
- After Stoic’s support in sourcing, introducing and vetting multiple qualified suitors, Curaleaf emerged as the best counterparty to achieve each of Grassroots’ objectives

Transaction Highlights

Total Transaction Value	US\$875mm
Transaction Structure	Cash and shares
Key Target Asset	Leading Midwest market share
Strategic Rationale	Operational footprint expansion

Acquiror Share Price Performance On Announcement



A Closer Look: Whistler Medical Marijuana Corp.



Transaction Summary

- On January 14, 2019, Aurora Cannabis Inc., one of the world's largest, vertically integrated and leading cannabis companies, announced it agreed to acquire Whistler Medical Marijuana Corporation ("WMMC") in an all share transaction valued at \$175mm
- Founded in 2013 and located in Whistler, British Columbia, WMMC is one of the original ten Licensed Producers in Canada and eventually developed into one of Canada's most iconic cannabis brands, known best for their award-winning organic certified BC bud
- From the onset, WMMC's management team endeavoured to source strategic investments to fuel WMMC production scaling and path to profitability

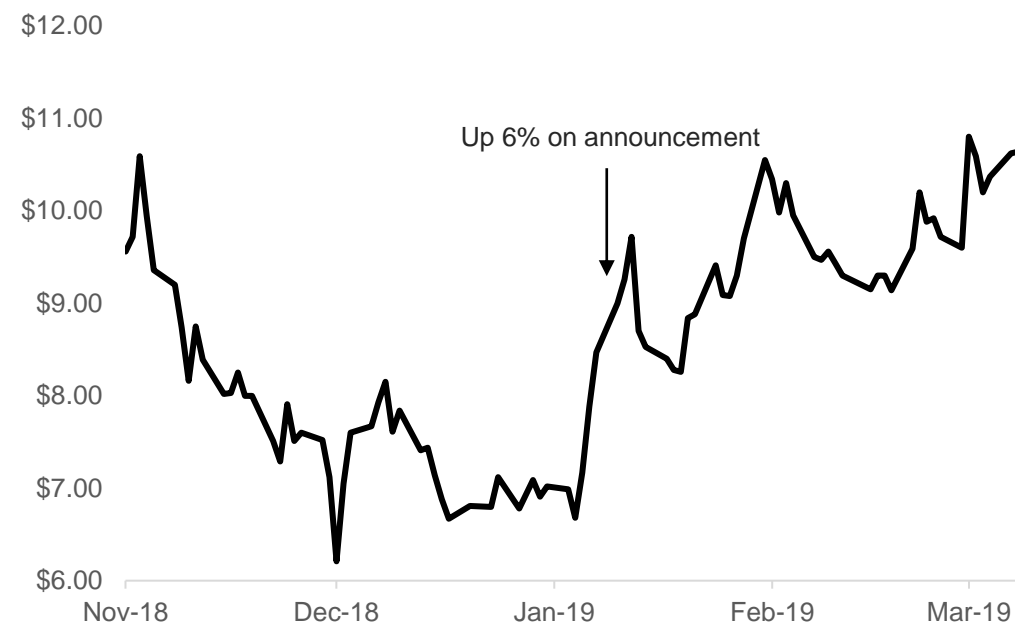
Stoic's Role

- Stoic engaged WMMC in 2017, providing comprehensive financial advisory services
- Stoic served directly to the senior management team of WMMC, advising on \$20mm of capital raising and provided ongoing advisory relating to corporate finance and strategic engagements
- Ultimately, Stoic served as the sell-side financial advisor for the WMMC x Aurora transaction, including running a full auction process over a three-month period
- By way of Stoic's support in sourcing and vetting various channels of capital infusion, an outright sale to Aurora achieved the goals of maintaining WMMC's coveted brand value, sparking production ramp-up, all while creating a meaningful liquidity event for WMMC's founders and shareholders

Transaction Highlights

Total Transaction Value	\$175mm
Transaction Structure	Cash, shares, and milestone earn-outs
Key Target Asset	Renowned brand, organic production
Strategic Rationale	Premium products, west-coast production

Acquiror Share Price Performance On Announcement



Transaction Summary

- On July 30, 2018, VIVO Cannabis (fka ABcann Global), a Canadian vertically integrated Licensed Producer, announced it agreed to acquire Canna Farms (“CF”) in a cash and stock transaction valued at \$133mm
- CF was the first Licensed Producer in British Columbia and fifth Licensed Producer in all of Canada, scaling prudently since inception to become a highly touted craft producer of premium cannabis, on the backs of a father-son lead operation
- The CF owners had built their business effectively for multiple years, using only their own capital and free cash flows to fund operations, and ultimately sought out a meaningful liquidity for the asset they had built

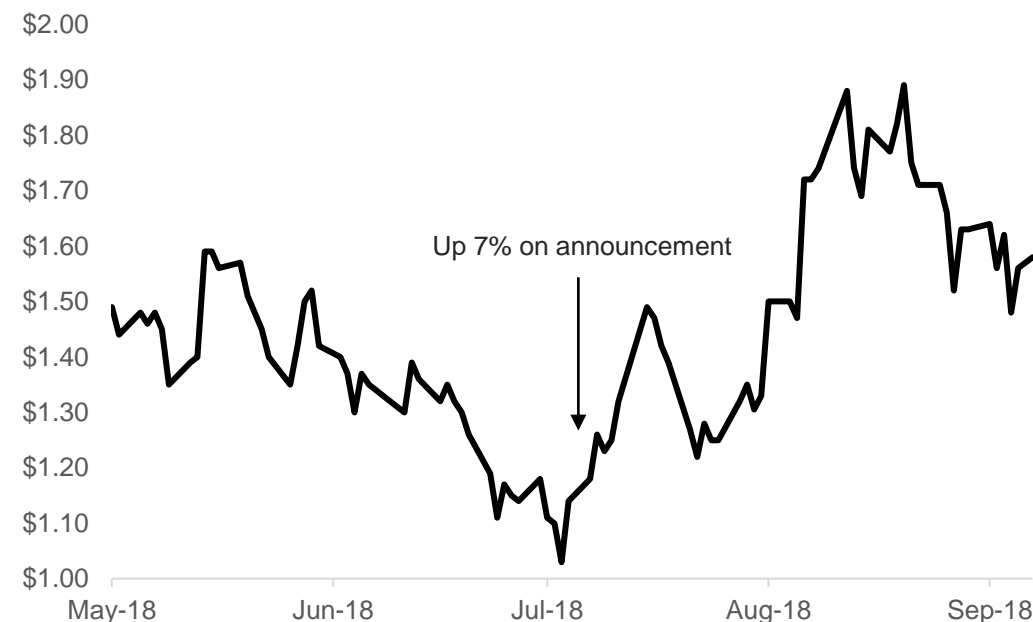
Stoic’s Role

- Stoic engaged a relationship with CF in early 2018, with the purpose from onset of being the exclusive financial advisor in the sale process of CF
- Stoic worked intimately with the senior management team of CF to prepare and lead the company in all aspects of a deliberate sale process
- Ultimately, Stoic negotiated the sale of CF to VIVO Cannabis, after running a formal sale process over a period of four months
- After carefully sourcing candidates, VIVO was selected as the best fit for their valued cash and stock offer, and appointing both founders to the VIVO management team

Transaction Highlights

Total Transaction Value	\$133mm
Transaction Structure	Cash, shares and milestone earn-outs
Key Target Asset	Canna Farms facility, management team
Strategic Rationale	Premium craft west-coast production

Acquiror Share Price Performance On Announcement



A Closer Look: Tokyo Smoke



Transaction Summary

- On December 21, 2017, DOJA Cannabis Ltd. (“DOJA”), a Canadian Licensed Producer based in British Columbia’s Okanagan Valley, announced it agreed to merge with TS Brandco Holdings (“Tokyo Smoke”) whereby DOJA acquired all the issued and outstanding shares of Tokyo Smoke
- Founded in 2015 by Alan and Lorne Gertner, Tokyo Smoke is an award-winning cannabis lifestyle brand and retailer
- At the time of the transaction announcement, Tokyo Smoke boasted six locations in Canada, and a brand well-known and accepted within the cannabis community

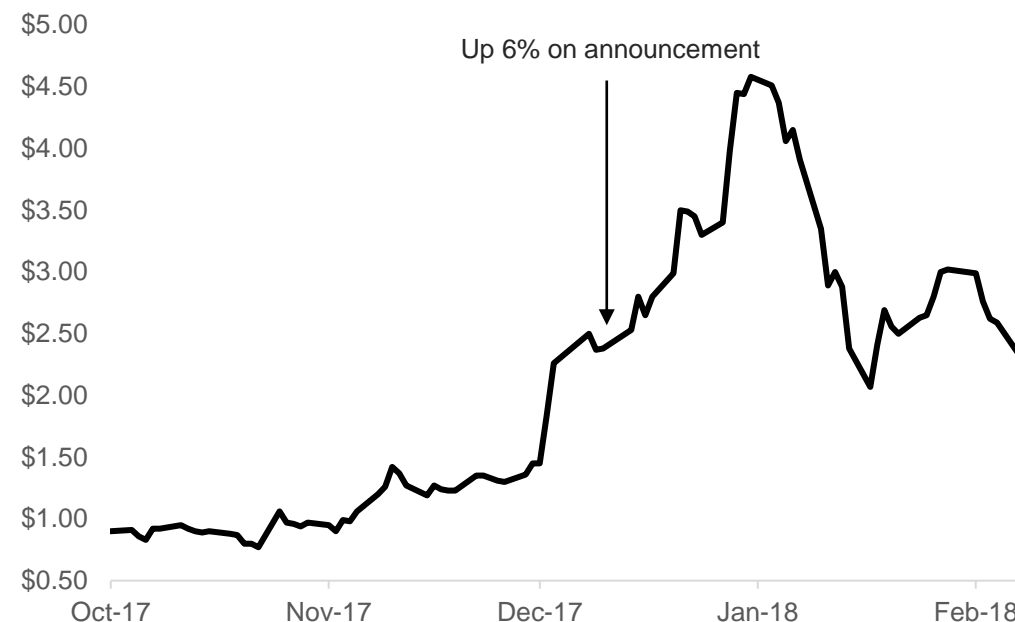
Stoic’s Role

- Stoic engaged Tokyo Smoke in early 2016 by serving as the acting CFO, specifically to help price and structure their \$3mm Series A investment round, including a principal investment from Stoic. Thereafter, Stoic provided ongoing support in Tokyo Smoke’s growth phase, including acquiring female-focused cannabis brand Van Der Pop and completing a \$6mm Series B equity raise, including a \$1mm investment from Aphria
- With a mandate to pursue strategic alternatives during Fall 2017, Stoic helped source, negotiate and structure the merger opportunity with DOJA, valuing Tokyo Smoke at \$220mm as part of the newly formed HIKU (later acquired by Canopy Growth)
- From a \$4mm pre-money Series A valuation and 3 employees in Spring 2016, to an \$220mm valuation and successful merger with DOJA in Winter 2018, Stoic played an instrumental role in the evolution of Tokyo Smoke

Transaction Highlights

Total Transaction Value	\$220mm
Transaction Structure	Shares, concurrent strategic financing
Key Target Asset	Leading brand, retail assets
Strategic Rationale	Creation of first retail-focused LP

Acquiror Share Price Performance On Announcement



Summary

- Pack Labs, founded in 2019 by Stoic and partner-operator Canopy Foods (“CF”), is a CBD beverage full service co-packing company
- CF, based in Pennsylvania, USA, is an innovative food and beverage co-packing company for multiple high-profile food brands in the United States
- Putting thoughtfulness into an archaic manufacturing model, CF has developed best-in-class practices surrounding food and beverage product manufacturing
- While the Farm Bill passed in 2018 paved the way for legal commercialization of hemp bi-products, including CBD, looking forward Pack Labs expects the FDA to provide further guidance on food and beverage product guidelines, which purports to further amplify the growing demand of CBD beverage manufacturing

Stoic’s Role

- Pack Labs was established to leverage CF’s manufacturing capabilities and Stoic’s cannabis industry fluency, for the burgeoning industry sub-category of CBD and CBD infused CPGs
- In addition to co-founding and investing principally in Pack Labs, Stoic sourced and structured \$5.5mm of seed capital for the company, and provides ongoing support with business development, capital markets guidance, strategic relationships and industry intel related functions
- As Pack Labs matures and develops its R&D arm, Stoic is staged to support product incubation, joint-ventures and co-branded opportunities

Engagement Highlights

Cannabis Sector Focus	CBD white-label manufacturing
Operational Support	Founder, Strategic Advisor
Next Key Achievement	Launch production line
Strategic Rationale	CBD CPG production demand



Contact Information



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(416) 732-5464

Michael Lederman

michael@stoicadvisory.com

(647) 993-7444

Appendix “D”

STOIC ADVISORY

March 20th, 2020

STRICTLY CONFIDENTIAL

James E. Wagner Cultivation

530 Manitou Drive, Kitchener, ON
N2C 1L3

Dear Mr. Nathan Woodworth:

This letter agreement (including any schedules hereto, this “**Letter Agreement**”) confirms the understanding between James E. Wagner Cultivation Corporation (the “**Company**” or “**you**”) and Stoic Advisory Inc. (“**Stoic**” or “**we**”) with regard to the engagement of Stoic to act as exclusive financial advisor to the Company in connection with a possible sale, transfer or other disposition to an arms’ length third party, directly or indirectly, of all or part of the equity securities, assets or business of the Company or its subsidiaries, whether effected in one transaction or a combination or series of transactions (the “**Transaction**”).

Provided that for purposes of this Letter Agreement, the definition of a Transaction and the consequences of constituting a Transaction shall not apply to any manner of financing consisting of the issuance of debt or equity or some form of hybrid security by the Company which equals or is less than a gross amount of Four Million (\$4,000,000.00) Dollars and in which assistance by Stoic has not been obtained. Where such assistance has been obtained, compensation or other fee will be provided for in a separate agreement.

Stoic’s Services

1. Subject to the terms and conditions of this Letter Agreement, Stoic shall provide services that are customary for financial advisory engagements of this type and as mutually agreed upon by the Company and Stoic, which may include:

a. advising management of the Company in its consideration and analysis of a Transaction and developing the Company’s strategy with regard to the Transaction (including the identification and sourcing (subject to prior approval by the Company) of potential buyers and managing the process for obtaining, reviewing, responding to and entering into any confidentiality agreements, term sheets, letters of intent and/or definitive agreements with potential buyers;

b. assisting the Company with the due diligence review process by potential buyers, including assisting with the preparation and vetting of due diligence review materials, the creation and management of a secure virtual data room containing such due diligence materials and responding to due diligence requests from potential buyers;

c. advising the Company in its negotiations regarding the financial and other terms of the Transaction; and

d. preparing or helping the Company prepare any financial models and market materials associated with the Transaction (the “**Services**”).

Fees and Expenses

2. As consideration for Stoic agreeing to provide its services to the Company as contemplated by this Letter Agreement, the Company shall pay Stoic the following non-refundable fees:

a. a cash fee (the “**Transaction Fee**”) in an amount equal to the greater of \$250,000 or 4% of the Transaction Value (as defined below), payable upon consummation of a Transaction (“**Closing**”).

The “**Transaction Value**” shall be equal to the portion of the purchase price paid at Closing, plus any portions of the purchase price which, in accordance with the final Transaction documentation, are not payable at Closing but which are actually paid after Closing, at the times, in the amounts and otherwise on the terms set out in such final Transaction documentation. For the purposes of calculating the Transaction Value any non-cash consideration will be assessed at its valuation pursuant to the final Transaction documentation.

If any portion of the Transaction Value is not readily determinable as of the Closing, then the Company and Stoic will determine the value of such portion by agreement before the Closing. For purposes of calculating Transaction Value, (I) Transaction consideration payable in installments shall be deemed to be paid at the Closing and (II) earn-outs and other amounts to be paid contingent upon future events shall be estimated in a manner mutually agreeable to the Company and Stoic and be deemed to be paid at the Closing; and amounts held in escrow shall be deemed to be paid at the Closing.

Provided that the exclusivity provisions and the Transaction Fee provisions of this Letter Agreement shall not apply to any transaction with or involving Canada House Wellness Group, in recognition of the fact of the Company having initiated inquiries and discussion with Canada House Wellness Group for financing, separately and prior to entering into this Letter Agreement with Stoic.

3. The Company agrees to reimburse Stoic periodically, upon request, and upon termination of our services pursuant to this Letter Agreement for our reasonable expenses, as agreed upon by the Company. The Company’s prior consent is required for anticipated expense amounts in excess of \$1,000.00 per transaction.

4. For purposes of calculating any amounts under this Letter Agreement, if the applicable amount is denominated in a currency other than Canadian dollars, then the Canadian dollar equivalent of any such amount shall be calculated by Stoic by reference to the exchange rate between the Canadian dollar and the relevant currency on the date the applicable amount is due under this Letter Agreement (as reported on Thomson Reuters Eikon).

5. Subject to Section 2a, all payments due to Stoic under this Letter Agreement shall be quoted and payable in cash in Canadian dollars by wire transfer of immediately available funds, without set-off and without deduction for any withholding, stamp, value added or other taxes. If any such taxes are payable by Stoic, the Company agrees to pay Stoic such additional amount as is necessary to ensure that Stoic will receive the full amount of the relevant payment as if such tax had not been payable. Fees and other amounts payable under this Letter Agreement may be subject to goods and services tax, harmonized sales tax, value added tax, sales tax or other similar tax (“**Sales Tax**”). If Sales Tax is applicable, an additional amount equal to the Sales Tax will be charged to and will be payable by the Company. Where Stoic claims reimbursement of out-of-pocket expenses the Sales Tax component of such expenses (if any) will be recharged to the Company only to the extent Stoic is unable to obtain an input tax credit or refund in relation to that Sales Tax component.

recharged to the Company only to the extent Stoic is unable to obtain an input tax credit or refund in relation to that Sales Tax component.

Termination

6. Stoic's engagement under this Letter Agreement may be terminated at any time by either Stoic or the Company, upon written notice to that effect to the other party; provided that the provisions set forth under the first paragraph, Section 3, Section 4, this Section 5, and each subsequent Section of this Letter Agreement shall survive any termination of this Letter Agreement. In addition, in the event of the termination of this Letter Agreement, Stoic shall continue to be entitled to receive (a) all fees described in this Letter Agreement that have accrued prior to such termination, (b) reimbursement for expenses incurred prior to termination in accordance with section 3 herein and, (c) the Transaction Fee in the event that at any time prior to the date falling on the first anniversary of such termination (i) a Transaction is consummated or (ii) a definitive agreement, letter of intent or agreement in principle with respect to a Transaction is entered into and such definitive agreement, letter of intent or agreement in principle at any time subsequently results in a Transaction that is consummated, which Transaction Fee shall be payable promptly upon consummation of such Transaction or similar transaction. Notwithstanding the terms of this section 6, should the Company elect to terminate this Agreement pursuant to section 17 herein, the parties agree that no Transaction Fee will be payable. Provided that a Transaction Fee is not required to be paid to Stoic subsequent to termination, where a transaction is introduced and consummated with a party which is introduced by a financial advisor other than Stoic after the date of termination, and which party had not previously been introduced by Stoic.

Information

7. The Company will furnish or arrange to have furnished to Stoic (including, if requested by Stoic, from the parties or prospective parties with which the Company enters negotiations) such information as Stoic reasonably requests in connection with the services to be performed hereunder. The Company recognizes and acknowledges that Stoic (a) may rely on all such information as well as publicly available information without any obligation to independently verify the same, (b) does not assume responsibility for the accuracy or completeness of any such information and has no obligation to investigate such accuracy or completeness, (c) with respect to any financial forecasts (including, without limitation, with respect to costs, savings and synergies) that may be furnished to or discussed with Stoic by or on behalf of the Company, will assume that such forecasts have been reasonably prepared and reflect the best then-currently available estimates and judgment of the Company's (and each other applicable party's) management, and (d) has no obligation to undertake an independent evaluation or appraisal of any assets or liabilities, or evaluate the solvency, of the Company and/or its subsidiaries or any other party. The Company further agrees to notify Stoic promptly of any material change in any information furnished by or on behalf of the Company.

8. The Company represents and agrees that all information furnished to Stoic by or on behalf of the Company and any other information or documents (including, without limitation, any descriptive memoranda) furnished by or on behalf of the Company to third parties (a) will, to the best knowledge of the Company, not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not be false or misleading, and (b) will be, to the best knowledge of the Company, true, complete and correct in all material respects.

Confidentiality

9. Stoic's role as advisor to the Company and the terms and conditions of this Letter Agreement may not be disclosed by the Company nor may any references to Stoic be made without the prior written consent of Stoic. Any advice, analysis, opinion or documentation (whether written or oral) rendered or provided by Stoic in its role as advisor to the Company will be solely for the confidential use of management and the Board of Directors of the Company and may not be disclosed, quoted, reproduced, summarized, described or referred to without the prior written consent of Stoic.

10. Stoic agrees to keep all information furnished by or on behalf of the Company to Stoic in connection with this engagement confidential; provided that (a), with the prior written consent of the Company, such information may be disclosed to affiliates of Stoic and to the extent necessary for Stoic to perform its duties under this Letter Agreement and (b) Stoic shall not be obligated to keep such information confidential to the extent that it (i) is or becomes publicly available through a source other than Stoic, (ii) was known to Stoic at the time such information was furnished to Stoic, (iii) is independently developed by Stoic without reference to such information, (iii) is learned from a third party that does not impose an obligation of confidentiality upon Stoic, (iv) is requested or required to be disclosed pursuant to applicable law or regulation, stock exchange or self-regulatory organization requirements, government authority, duly authorized subpoena or court order or directive, or (v) is approved for disclosure by prior consent of the Company.

Other Provisions

11. Stoic is not assuming any responsibility for the Company's underlying business decision to pursue or not to pursue any business strategy or to effect or not to effect any Transaction. The Company acknowledges and agrees that it is responsible for making its own independent judgment with respect to any Transaction. In addition, Stoic will not be responsible for setting the scope of or for reviewing the Company's due diligence exercise. The Company understands and acknowledges that Stoic cannot provide any assurance that Stoic's services will result in any Transaction or that a Transaction will be consummated.

12. The Company will be the issuer of and shall be responsible for any descriptive memorandum, and such descriptive memorandum shall be based exclusively upon information provided by the Company. The Company shall be exclusively responsible for the accuracy and completeness of the descriptive memorandum, and Stoic may rely upon the accuracy and completeness of all such information without independent verification. The Company acknowledges and agrees that the Company is solely responsible for ensuring that it complies with all applicable law.

13. The Company will be responsible for obtaining its own professional advice on legal, accounting and taxation matters.

14. This Letter Agreement does not constitute an underwriting or agency agreement, a commitment on the part of Stoic to subscribe for or purchase any securities or to provide or arrange debt or a commitment to invest in any way in any transaction. The Company hereby acknowledges that Stoic is not a broker/dealer, registrant or investment advisor under any securities regime within North America or otherwise and is not acting as such pursuant to the terms of this Letter Agreement.

15. It is understood and agreed that Stoic will act under this Letter Agreement as an independent contractor with duties solely to the Company and nothing in this Letter Agreement or the nature of our services in connection with this engagement or otherwise shall be deemed to create a fiduciary duty or fiduciary or agency relationship between or among Stoic, the Company or its security holders, employees, creditors, or any other person or entity and the Company agrees that it shall not make, and hereby waives, any claim based on an assertion of any such fiduciary duty or other relationship. Neither

this Letter Agreement nor the delivery of any advice in connection with this Letter Agreement confers upon any person or entity not a party hereto (including, without limitation, security holders, employees, creditors, or any other person or entity) any rights or remedies hereunder or by reason hereof as against Stoic or the other Indemnified Parties (as defined in Attachment A hereto).

16. Upon the earlier of the public announcement of a Transaction or the consummation of a Transaction, Stoic may, at its option and expense, (a) disclose to any party or publicly announce its role as financial advisor to the Company and/or (b) place “tombstone” advertisements in financial and other publications and media, and/or in presentations or other marketing materials provided to prospective clients, describing its services to the Company under this Letter Agreement.

17. Stoic and its affiliates are engaged in a broad range of securities activities and financial advisory services specifically within the Cannabis space. Stoic and its affiliates carry on a range of businesses on their own account and for their clients, including providing investment advisory, corporate strategy, capital markets strategy, and asset valuation and diligence services. Stoic represents to the Company that it does not have any conflict of interest, whether or not there is a financial benefit to Stoic associated with such conflict of interest (a “Conflict of Interest”) which would prevent it from acting at all times in the best interest of the Company, Stoic will take commercially reasonable steps to give effect to this section 17 and will identify any potential Conflict of Interest to the Company immediately upon identification of such potential Conflict of Interest. Stoic agrees that, should a Conflict of Interest arise in relation to its representation of the Company pursuant to this Agreement, the Company may elect, if it reasonably believes that the Conflict of Interest may render Stoic unable to act in the Company’s best interest, to terminate this Agreement pursuant to section 6 herein. It is acknowledged that Stoic provides services similar to the Services to other companies engaged in activities similar to the Company, and any such engagements and the provision of such services are not considered a conflict of interest under this Agreement, provided that, without the prior written consent of the Company, no such other company is proposed to be engaged in a transaction with the Company pursuant to this Agreement.

18. This Letter Agreement constitutes the entire agreement between the Company and Stoic relating to this engagement, and supersedes any and all prior agreements between the parties relating to this engagement. No waiver, amendment or other modification of this Letter Agreement shall be effective unless in writing and signed by each party intended to be bound thereby. If any portion of this Letter Agreement is held to be void, invalid or otherwise unenforceable, in whole or in part, the remaining portions of this Letter Agreement shall remain in effect, whereupon the parties shall negotiate in good faith to replace the void, invalid or otherwise unenforceable provision with a valid and enforceable provision that effects the original intent of the parties to the fullest extent possible.

19. Stoic and the Company agree that Stoic may, with the prior written consent of the Company, carry out the services contemplated hereunder through or in conjunction with one or more affiliates. Unless otherwise agreed in writing by the parties, any such services performed by any such affiliate shall be subject to the terms and conditions of this Letter Agreement (including, without limitation, Attachment A hereto).

20. This Letter Agreement may not be assigned by the Company or Stoic, except with the written consent of the non-assigning party. Any attempted assignment in violation of the provisions hereof shall be void and of no effect. The benefits of this Letter Agreement shall inure to the Company, Stoic and their respective successors and permitted assigns, and the obligations and liabilities assumed in this Letter Agreement by the parties hereto (including, without limitation, Attachment A hereto) shall be binding upon their respective successors and permitted assigns. Neither this Letter Agreement nor the delivery of any advice in connection with this Letter Agreement is intended to confer rights upon any

person not a party hereto (including security holders, employees or creditors of the Company) as against Stoic or the other Indemnified Parties.

21. To the extent that the Company requests that Stoic perform additional services not contemplated by this Letter Agreement, the scope and fees for such services shall be mutually agreed upon in writing by Stoic and the Company.

22. This Letter Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute the same agreement. Transmission by telecopy, facsimile, email or other form of electronic transmission of an executed counterpart of this Letter Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

23. This Letter 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 Company hereby (a) irrevocably consents to personal jurisdiction in the provincial and federal courts situated in the Province of Ontario for the purposes of any suit, action or other proceeding arising out of this Letter Agreement or any of the agreements or transactions referred to herein or contemplated hereby, which is brought by or against the Company, (b) waives any objection to venue with respect thereto, and (c) irrevocably attorns to the jurisdiction of such courts and agrees that all claims in respect of any such suit, action or proceeding may be heard and determined in any such court, and that such courts shall have jurisdiction over any claims arising out of or relating to the Letter Agreement or such agreements or transactions, and agrees not to commence any suit, action or proceeding arising out of or relating to the Letter Agreement except in such courts. The Company hereby irrevocably consents to the service of process of any of the aforementioned courts in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Company at its address set forth above, such service to become effective ten (10) days after such mailing.

[Signature Page Follows]

This engagement is important to us and we appreciate the opportunity to be of service to the Company. If the Company is in agreement with the terms set forth herein, please indicate by signing and returning the enclosed copy of this Letter Agreement to us. If you have any questions about this Letter Agreement or wish to discuss these matters further, please contact Aaron Salz at (416) 565-4457.


Very truly yours,

STOIC ADVISORY INC.

By: 
Name: Aaron Salz
Title: Principal

Agreed to and Accepted:

JAMES E. WAGNER CULTIVATION CORPORATION

By: 
6832A3268973407B0525AE86C621B68C contractworks.
Name: Nathan Woodworth
Title: CEO

SCHEDULE A - INDEMNIFICATION

As consideration for Stoic Advisory Inc. ("**Stoic**") agreeing to provide the services described in the Letter Agreement to which this Schedule is attached (the "**Engagement**"), James E. Wagner Cultivation (the "**Indemnitor**") agrees to indemnify and hold harmless Stoic and its affiliates, and each of their respective current or former directors, officers, employees and agents (collectively, the "**Indemnified Parties**" and each an "**Indemnified Party**"), to the full extent lawful, from and against all expenses, losses, damages and liabilities of any nature (including the reasonable fees and expenses of their respective counsel and other expenses, but not including any amount for lost profits) (collectively, "**Losses**") incurred in investigating, defending, settling and/or satisfying a judgment in any action, suit, proceeding, investigation or claim that may be made or threatened against any Indemnified Party or to which an Indemnified Party may become subject or otherwise involved in any capacity (collectively, the "**Claims**") insofar as the Claims arise out of or are based upon, directly or indirectly, the Engagement together with any Losses incurred in enforcing this indemnity. This indemnity will not be available to an Indemnified Party in respect of Losses incurred to the extent a court of competent jurisdiction in a final judgment that has become non-appealable determines that such Losses resulted primarily from the fraud, negligence or willful misconduct of the Indemnified Party.

If for any reason (other than, a judicial determination that the loss resulted primarily from the fraud, negligence or willful misconduct of the Indemnified Party as described above) this indemnity is unavailable to an Indemnified Party or is insufficient to hold an Indemnified Party harmless in respect of any Claim, the Indemnitor will contribute to the Losses paid or payable by such Indemnified Party as a result of such Claim in such proportion as is appropriate to reflect not only the relative benefits received by the Indemnitor on the one hand and the Indemnified Party on the other hand but also the relative fault of the Indemnitor and the Indemnified Party as well as any relevant equitable considerations; provided that an Indemnified Party will never be responsible for more than the amount of the fees received by Stoic, if any, under the Engagement.

The Indemnitor agrees that in case any legal proceeding is brought against, or an investigation is commenced in respect of, the Indemnitor and/or an Indemnified Party and an Indemnified Party or its personnel are required to testify in connection therewith or required to respond to procedures designed to discover information regarding, in connection with or by reason of the Engagement, the Indemnified Party shall have the right to employ its own counsel in connection therewith, and the reasonable fees and expenses of such counsel as well as the reasonable costs (including an amount to reimburse the Indemnified Party for time spent by its personnel in connection therewith at their normal per diem rates together with disbursements and out-of-pocket expenses incurred by the personnel in connection therewith) shall be paid by the Indemnitor as they occur.

After receiving notice of a Claim against any Indemnified Party or receipt of notice of the commencement of any investigation which is based, directly or indirectly, upon any matter in respect of which indemnification may be sought from the Indemnitor, Stoic: (a) will promptly notify the Indemnitor, in writing, of such Claim or investigation, stating the particulars thereof, (b) will provide copies of all relevant documentation to the Indemnitor and (c) unless the Indemnitor assumes the defense thereof, will keep the Indemnitor advised of the progress and will discuss all significant proposed actions. Failure to notify the Indemnitor will not relieve the Indemnitor of any liability that the Indemnitor may have to an Indemnified Party except, and only to the extent, that any such delay in giving or failure to give such notice results in the loss of substantive rights or defenses in connection with such Claim or results in any material increase in the liability under this indemnity which the Indemnitor would not otherwise have incurred had Stoic given the required notice.

The Indemnitor will be entitled, at its own expense, to participate in and, to the extent it may wish to do so, assume the defense of any Claim, provided such defense is conducted by experienced and competent counsel. Upon the Indemnitor notifying Stoic in writing of its election to assume the defense and retain counsel, the Indemnitor will not be liable to an Indemnified Party for any legal expenses subsequently incurred by it in connection with such defense. If such defense is assumed by the Indemnitor, the Indemnitor throughout the course thereof will provide copies of all relevant documentation to Stoic, will keep Stoic advised of the progress thereof and will discuss with Stoic all significant actions proposed.

Notwithstanding the foregoing paragraph, any Indemnified Party shall have the right, at the Indemnitor's expense, to separately retain counsel of such Indemnified Party's choice, in respect of the defense of any Claim if:

- a. the employment of such counsel has been authorized by the Indemnitor;
- b. the Indemnitor has not assumed the defense and employed counsel therefor promptly after receiving notice of such Claim; or
- c. counsel retained by the Indemnitor or the Indemnified Party has advised the Indemnified Party that representation of both parties by the same counsel would be inappropriate for any reason, including for the reason that
 - (i) there may be legal defenses available to the Indemnified Party that are different from or in addition to those available to the Indemnitor (in which event and to that extent, the Indemnitor shall not have the right to assume or direct the defense on such Indemnified Party's behalf),
 - (ii) there is a conflict of interest between the Indemnitor and the Indemnified Party or
 - (iii) the subject matter of the Claim may not fall within the indemnity set forth herein

in each case the Indemnitor shall not have the right to assume or direct the defense on such Indemnified Party's behalf, provided that the Indemnitor shall not be responsible for the fees or expenses of more than one legal firm in any single jurisdiction for all of the Indemnified Parties.

No admission of liability and no settlement of any Claim shall be made by the Indemnitor or an Indemnified Party without the prior written consent of the Indemnified Parties affected or the Indemnitor (as applicable) (which consent may not be unreasonably withheld or delayed) unless such settlement includes an unconditional release of each Indemnified Party or the Indemnitor (as applicable) from any liabilities arising out of such Claim without any admission of negligence, misconduct, liability or responsibility by any Indemnified Party or Indemnitor (as applicable).

The Indemnitor hereby acknowledges that Stoic acts as trustee for the other Indemnified Parties of the Indemnitor's covenants under this indemnity and Stoic agrees to accept such trust and to hold and enforce such covenants on behalf of such persons.

The indemnity and contribution obligations of the Indemnitor hereunder shall be in addition to any liability the Indemnitor may otherwise have (including under the Engagement), shall extend upon the same terms and conditions herein to the Indemnified Parties and shall be binding upon and continue in effect in accordance with the terms and conditions herein for the benefit of any successors, permitted assigns, heirs and personal representatives of the Indemnitor, Stoic and any other Indemnified Party. The foregoing provisions shall survive any termination of the Engagement.



Stoic Advisory Inc.

Letter Agreement dated March 20, 2020 between James E. Wagner Cultivation Corporation and Stoic Advisory Inc. (the “Engagement Letter”)

As you are aware, the Ontario Superior Court of Justice — Commercial List (the “**Court**”) made an Order on April 1, 2020 (the “**Initial Order**”) wherein James E. Wagner Cultivation Corporation, James E. Wagner Cultivation Ltd., JWC 1 Ltd., JWC 2 Ltd., JWC Supply Ltd. and Growthstorm Inc. (collectively, the “**Companies**”) were granted protection under the *Companies’ Creditors Arrangement Act* and KSV Kofman Inc. was appointed as monitor (the “**Monitor**”) of the Companies (the “**CCA Proceedings**”).

As you are also aware, the Companies will be seeking a further order of the Court on April 9, 2020 approving an asset purchase agreement between the Companies, as vendors, and Trichome Financial Corp. (“**TFC**”), as purchaser, (the “**Stalking Horse Agreement**”) as the Stalking Horse Bidder as defined in the bidding procedures contained in the Stalking Horse Agreement (the “**Bidding Procedures**”) and approving the Bidding Procedures themselves.

In light of the foregoing, we have agreed to amend the Engagement Letter as follows effective upon the Court’s approval of the Stalking Horse Agreement and Bidding Procedures:

1. The definition of Transaction in the Engagement Letter shall not include the Stalking Horse Agreement or the transactions contemplated therein.
2. The Services (as defined in the Engagement Letter) shall apply in respect of and as set out in the Bidding Procedures;
3. Section 2 of the Engagement Letter is hereby deleted and replaced with the following (with terms as defined in the Bidding Procedures):

If the Qualified Bidder with the Successful Bid is not the Stalking Horse Bidder, then the Company shall pay Stoic a success fee in an amount determined as follows and which amount shall be paid to Stoic upon the closing of the Success Bid:

Amount by which successful transaction exceeds Stalking Horse Agreement	Success Fee %
\$500,000	15%
\$500,000-\$1,000,000	25%
\$1,000,000 - \$1,500,000	30%
\$1,500,000+	10%

4. Section 3 of the Engagement Letter is hereby deleted and replaced with the following:

The Company shall pay Stoic a fixed, one-time work fee in the amount of \$75,000 for the performance of the Services which shall be paid to Stoic upon the Court's approval of the Successful Bid (as defined in the Bidding Procedures); and

5. Notwithstanding Section 9 of the Engagement Letter, the Engagement Letter as amended by this letter agreement may be disclosed to the Court and made public in the CCAA Proceedings.

Yours very truly,

**JAMES E. WAGNER CULTIVATION
CORPORATION**

Nathan Woodworth
by 6832A3268973407B0525AE86C621B68C contractworks.
Name: Nathan Woodworth ■
Title: President and CEO ■

Agreed to and accepted:

STOIC ADVISORY INC.

by _____
Name: ■
Title: ■

4. Section 3 of the Engagement Letter is hereby deleted and replaced with the following:

The Company shall pay Stoic a fixed, one-time work fee in the amount of \$75,000 for the performance of the Services which shall be paid to Stoic upon the Court's approval of the Successful Bid (as defined in the Bidding Procedures); and

5. Notwithstanding Section 9 of the Engagement Letter, the Engagement Letter as amended by this letter agreement may be disclosed to the Court and made public in the CCAA Proceedings.

Yours very truly,

**JAMES E. WAGNER CULTIVATION
CORPORATION**

by _____
Name: ■
Title: ■

Agreed to and accepted:

STOIC ADVISORY INC.

by  _____
Name: Aaron Salz
Title: Principal

Appendix “E”

DAVID HYDE, M.SC, CPC

Trusted Advisor to the Global Cannabis Industry



David Hyde is a global cannabis industry consultant with seven years hands-on experience providing expert guidance to cannabis companies and government bodies on matters relating to business/licensing strategy, regulatory/policy approaches, cannabis facility design/operations/security, corporate due diligence and governance. David's cannabis sector work spans sixteen countries and includes engagements with multi-national cannabis companies, foreign governments, cannabis start-ups, R&D/testing companies, local/regional governments and investors.

David's experience in the cannabis sector is both unique and unparalleled. Since early 2013, he has consulted with over 550 legal cannabis businesses including large-scale and small-batch cultivators, outdoor farms and cannabis nurseries, processors and extractors, packagers and distributors, research and testing labs, and cannabis retail outlets. On the public sector side, David has worked with local and regional governments, as well as federal licensing bodies, on regulatory policy, licensing and compliance strategy, enforcement tools, inspector training and guidance documents for industry.

Over seven years working in the cannabis sector, David has advised some of the world's largest cannabis brands, new entrants into the sector (e.g., Pharma, Food, Beverage, CPG, NHP, Tobacco) and a number of local / regional / foreign governments in countries around the world. He started in Canada, working with about two-thirds of all (200+) federal cannabis license holders on regulatory compliance, security and licensing. David's experience in Canada spans over 150 cannabis facility build-outs and extensive interaction with the regulator, Health Canada. David's input was sought out by the regulator as Canada worked through three iterations of federal cannabis regulations between 2013 and 2019.



David has also consulted on a number of cannabis projects across the United States. As more countries have followed the early-movers in setting up legal cannabis regimes, David's input has increasingly been in demand within foreign jurisdictions, bringing the many lessons learned from Canada and other jurisdictions into other countries in Latin America, Europe, Africa, the Caribbean, Oceania and Asia.

David has 34 years of business and leadership experience, working from both Canada and the UK. Before entering the cannabis sector, David was a Corporate Director for a \$17 billion global corporation managing a department of 550 Front-Line Staff, with forty Managers and five Regional Directors.

See over...

David holds a Master of Sciences Degree (M.Sc.) from the University of Leicester, UK where he studied regulatory theory, compliance strategy and security risk management. David also holds a Certificate in Security Management from the University of Calgary. He is a graduate of the Wharton School Development Program for Security Executives, is a Certified Professional Coach (CPC) and is also a Certified Advanced Level Crime Prevention (CPTED) practitioner.

Key Services/Experience

- Advises governments on cannabis regulatory policy and practice, licensing and compliance strategy, enforcement tools, inspector training and guidance materials for industry.
- Hired on retainer by large and small cannabis companies to support them on business / licensing strategy, operational ramp-up, regulatory compliance, due diligence and corporate governance.
- Sits on various cannabis company Advisory Boards lending his name/reputation and experience as a recognized cannabis industry expert specializing in licensing strategy, facility operations, regulatory compliance, crisis management and corporate governance in the cannabis sector.
- Acts as an independent advisor to cannabis company Boards of Directors and Executive Management on matters of corporate governance, regulatory compliance and due diligence. Has worked on high profile files related to regulatory enforcement action and Board governance within the cannabis sector.
- Conducts 'pre-acquisition due diligence' for investors and buyers of cannabis business assets globally.
- Works through an extensive and industry-leading network of cannabis sector experts operating around the globe (e.g., cultivation/GACP experts, quality/GMP specialists, extraction/processing experts, facility designers/builders, global law firms, insurers, M&A firms and other professional services).
- Acts as a credible point of liaison between cannabis companies and foreign governments in nascent/emerging markets.
- Provides a full range of cannabis security consulting services including site suitability review, physical security design, security licensing documents and operational security guidance.
- Acts as a broker on business transactions between investors/buyers and cannabis companies.



David Hyde, M.Sc., CPC
Chief Executive Officer
HYDE Advisory & Investments Inc
Tel: 905-906-4933
Email: david@hydeadvisory.com
Web: www.hydeadvisory.com



Appendix “F”

**JAMES E. WAGNER CULTIVATION CORPORATION, JAMES E. WAGNER
CULTIVATION LTD., JWC 1 LTD., JWC 2 LTD., JWC SUPPLY LTD. AND
GROWTHSTORM INC.**

as Vendors

and

TRICHOME FINANCIAL CORP.

as Purchaser

ASSET PURCHASE AGREEMENT

March 31, 2020

ASSET PURCHASE AGREEMENT

This asset purchase agreement is made as of March 31, 2020, between James E. Wagner Cultivation Corporation, a corporation governed by the laws of the Province of Ontario, James E. Wagner Cultivation Ltd., a corporation incorporated under the laws of Ontario, JWC 1 Ltd., a corporation incorporated under the laws of Ontario, JWC 2 Ltd., a corporation incorporated under the laws of Ontario, JWC Supply Ltd., a corporation incorporated under the laws of Ontario, and GrowthStorm Inc., a corporation incorporated under the laws of Ontario (collectively, the “**Vendors**”) and Trichome Financial Corp., a corporation governed by the laws of the Province of Ontario (the “**Purchaser**”).

RECITALS:

- (1) The Vendors will commence the CCAA Proceedings within 1 Business Day of the date hereof and seek to obtain the Initial Order under the CCAA;
- (2) The Vendors will seek to have KSV Kofman Inc. appointed as Monitor of the Vendors pursuant to the Initial Order;
- (3) The Vendors will seek approval of the Court for the Sale Process Order pursuant to which the Vendors and the Monitor will conduct the Sale Process with this Agreement serving as the Stalking Horse Bid; and
- (4) The Vendors desire to sell all or substantially all of their assets and the Purchaser has agreed to purchase such assets subject to the terms and conditions set forth in this Agreement, the Sale Process and the applicable provisions of the CCAA.

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Vendors and the Purchaser agree as follows:

ARTICLE 1 INTERPRETATION

Section 1.1 Definitions

In this Agreement and the recitals above, the following terms have the following meanings:

“Accounts Receivable” means, on any date, all accounts receivable and tax refunds generated in the operation of the Vendors' business, together with any unpaid interest or fees accrued thereon which are outstanding on such date and the full benefit of all security or collateral for such amounts, including recoverable advances and deposits, but excluding any amounts owing to the Vendors as at the Closing Time from any of its shareholders or Affiliates, or from any other Person who does not deal at arm's length with any of the Vendors.

“Affiliate” has the meaning given to the term “affiliate” in the *Canada Business Corporations Act*.

“Agreement” means this asset purchase agreement, as amended from time to time in accordance with the terms hereof.

“Applicable Law” means, in respect of any Person, property, transaction or event, any domestic or foreign statute, law (including the common law), ordinance, rule, regulation, treaty, restriction, regulatory policy, standard, code or guideline, by-law or order, in each case, having the force of law, that applies in whole or in part to such Person, property, transaction or event.

“Approval and Vesting Order” means an order by the Court substantially in the form attached as Schedule **Error! Reference source not found.** authorizing the Transaction and vesting in the Purchaser (or as it may direct) all the right, title and interest of the Vendors in and to the Purchased Assets.

“Assignment Order” means an order or orders of the Court pursuant to section 11.3 of the CCAA and other applicable provisions of the CCAA, in form and substance satisfactory to the Purchaser and the Vendors, each acting reasonably, authorizing and approving (i) the assignment of any Consent Required Contract for which a consent, approval or waiver necessary for the assignment of such Consent Required Contract has not been obtained, (ii) the prevention of any counterparty to such Consent Required Contracts from exercising any right or remedy under such Consent Required Contracts by reason of any defaults arising from the CCAA Proceedings or the insolvency of the Vendors and (iii) the vesting in the Purchaser (or as it may direct) of all right, title and interest of the Vendors in such Consent Required Contracts.

“Assumed Obligations” has the meaning set out in Section 2.4.

“Bidding Procedures” means the bidding procedures substantially in the form attached hereto as Schedule “C”, with milestone dates therein to be settled on or before the date of the Sale Process Order;

“Benefit Plans” means all oral or written plans, arrangements, agreements, programs, policies, practices or undertakings of each Vendor with respect to some or all of the Employees and which provide for or relate to (i) bonus, profit sharing or deferred profit sharing, performance compensation, deferred or incentive compensation, supplemental retirement arrangements, share compensation, share purchase or share option, share appreciation rights, phantom stock, vacation or vacation pay, sick pay, employee loans, or any other compensation in addition to salary; or (ii) insured or self-insured benefits for or relating to income continuation or other benefits during absence from work (including short term disability, long term disability and workers compensation), hospitalization, health, welfare, legal costs or expenses, medical or dental treatments or expenses, life insurance, accident, death or survivor’s benefits, supplementary employment insurance, day care, tuition or professional commitments or expenses and prerequisites or similar employment benefits.

“Books and Records” means all files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including tax and accounting books and records, used or intended for use by, and in the possession of the Vendors, in connection with the ownership, or operation of the Purchased Assets, including the Contracts, customer lists, customer information and account records, sales records, computer files, data processing records, employment and personnel records, sales literature, advertising and marketing data and records, credit records, records relating to suppliers and other data, in each case, relating to the Purchased Assets, and, for greater certainty, excluding the minute books and corporate records of the Vendors.

“Business Day” means a day on which banks are open for business in Toronto, Ontario but does not include a Saturday, Sunday or statutory holiday in the Province of Ontario.

“CCAA” means the *Companies’ Creditors Arrangement Act* (Canada);

“CCAA Proceedings” means the proceedings to be commenced by the Vendors under the CCAA;

“Cash Flow Projections” means the prescribed cash flow projections filed by the Vendors as part of the CCAA Proceedings.

“Claims” means any claim of any nature or kind (including any cross-claim or counterclaim), demand, investigation, chose in or cause of action, suit, default, assessment, litigation, third party action, arbitral proceeding or proceeding by or before any Person.

“Closing” means the successful completion of the Transaction.

“Closing Cash Payment” means an amount to be agreed among the Purchaser, the Vendors and the Monitor which will be sufficient to pay (i) any outstanding Priority Payables, (ii) accrued amounts not paid under the DIP Facility as of the Closing Date (including the fees and expenses of legal and other professionals) and (iii) the

reasonable costs (including the fees and expenses of legal and other professionals) relating to the period following the Closing Date, including, performing any transition services required, terminating the CCAA Proceeding and winding-down the estates of the Vendors (including the administration of a bankruptcy in respect of the Vendors).

“**Closing Date**” means the date that is three (3) Business Days after the date the Approval and Vesting Order is obtained or such other earlier or later date as may be agreed by the Parties.

“**Closing Time**” means 10:00 a.m. (Toronto time) on the Closing Date.

“**Consent Required Contract**” has the meaning set out in Section 2.2a).

“**Contracts**” means all of the contracts and other written agreements to which any Vendor is a party constituting part of the Purchased Assets identified in writing by the Purchaser on or before Closing, including, for greater certainty, all Contracts listed in Appendix I to **Schedule “A”** to this Agreement.

“**Court**” means Ontario Superior Court of Justice (Commercial List).

“**Credit Bid Amount**” means the amounts owing by the Vendors to the Purchaser as of the Closing Time pursuant to: (i) the Loan Agreement; and (iii) the Factoring Agreement;

“**Cure Costs**” means all amounts required to be paid pursuant to section 11.3 of the CCAA to effectuate, pursuant to the CCAA, the assignment by the Vendors and assumption by the Purchaser of Consent Required Contracts under the Assignment Order and to otherwise satisfy all requirements imposed by section 11.3 of the CCAA.

“**DIP Facility**” means the Interim Financing Credit Facility Term Sheet dated March 31, 2020, between the Vendors and the Purchaser.

“**Employee**” means an individual who is employed by a Vendor, whether on a full-time or a part-time basis, whether active or inactive as of the Closing Date, and includes an employee on short term or long term disability leave.

“**Encumbrances**” means any security interest, lien, claim, charge, hypothec, reservation of ownership, pledge, encumbrance, mortgage, adverse claim or right of a third party of any nature or kind whatsoever and any agreement, option or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing, (including any conditional sale or title retention agreement, or any capital or financing lease).

“**Excise Tax Act**” means the *Excise Tax Act* (Canada).

“**Excluded Assets**” means all of the Vendors' right, title and interest, in and to those assets and rights set forth in Schedule B.

“Excluded Equipment” means any equipment or machinery and any parts and components thereof, that are Excluded Assets.

“Expense Reimbursement” has the meaning set out in Section 4.2a).

“Factoring Agreement” means the Receivables Purchase Agreement made as of October 23, 2019 between JWC, in its capacity as seller thereunder and the Purchaser, in its capacity as purchaser thereunder, and each of the Vendors other than JWC as guarantors.

“Governmental Authority” means any domestic or foreign government, whether federal, provincial, state, territorial or municipal; and any governmental agency, ministry, department, court (including the Court), tribunal, commission, stock exchange, bureau, board or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory or administrative functions of, or pertaining to, government or securities market regulation.

“Health Canada Licenses” means all authorizations related to cannabis and issued by Health Canada to any of the Vendors, including authorizations to plant, grow, cultivate, extract, produce, process, store, destroy, sell, provide, ship, deliver, transport and/or distribute cannabis under Applicable Law, including without limitation License Nos. LIC-S0SIOQZD8S-2020 and LIC-GHASXLI39D-2019-2.

“Income Tax Act” means the *Income Tax Act* (Canada).

“Intellectual Property” means all intellectual property of the Vendors used by or currently being developed for use in the business of the Vendors, and all rights of any of the Vendors therein, including all claims for past infringement, worldwide, whether registered or unregistered, including without limitation:

- a) all patents, patent applications and other patent rights, including provisional and continuation patents;
- b) all registered and unregistered trade-marks, service marks, logos, slogans, corporate names, business names and other indicia of origin, and all applications and registrations therefor;
- c) registered and unregistered copyrights and mask works, including all copyright in and to computer software programs and applications and registrations of such copyright;
- d) internet domain names, applications and reservations for internet domain names, uniform resource locators and the corresponding internet sites;
- e) industrial designs; and
- f) trade secrets and proprietary information not otherwise listed in (a) through (e) above, including, without limitation, all inventions (whether or not patentable), invention disclosures, moral and economic rights of authors and

inventors (however denominated), confidential information, technical data, customer lists, corporate and business names, trade names, trade dress, brand names, know-how, mask works, circuit topography, formulae, methods (whether or not patentable), designs, processes, procedures, technology, business methods, source codes, object codes, computer software programs (in either source code or object code form), databases, data collections and other proprietary information or material of any type, and all derivatives, improvements and refinements thereof, howsoever recorded or unrecorded.

“Interim Lender” means Trichome Financial Corp., in its capacity as interim lender under the DIP Facility;

“JWC” means James E. Wagner Cultivation Corporation;

“Loan Agreement” means the Loan Agreement dated February 19, 2019, as amended, between JWC, as borrower, and the Purchaser, as lender and each of the Vendors (other than JWC) as guarantors;

“M&A Advisor” means Stoic Advisory Inc.;

“Monetary Purchase Price” means the sum of the Credit Bid Amount and the Closing Cash Payment;

“Monitor” means the Person appointed by the Court to act as the monitor of the Vendors in the CCAA Proceedings, which is expected to be KSV Kofman Inc.

“Monitor’s Certificate” means the certificate of the Monitor contemplated by the Approval and Vesting Order certifying that the Monitor has received written confirmation in form and substance satisfactory to the Monitor from the Parties that all conditions of Closing have been satisfied or waived by the applicable Parties and that the Monitor has received the Closing Cash Payment.

“Non-Assignable Interests” means any Purchased Assets which, by their nature cannot be legally or practically sold and assigned by the Vendors to the Purchaser hereunder, including without limitation SRED Claims and any Consent Required Contracts for which an Assignment Order or counterparty consent has not been obtained;

“Ordinary Course of Business” means the ordinary course of business of the Vendors with respect to the Purchased Assets consistent with the conduct of such business on the date hereof and consistent with the Orders of the Court in the CCAA Proceedings.

“Outside Date” means June 30, 2020.

“Party” means the Purchaser and each of the Vendors.

“Permitted Encumbrances” means those Encumbrances set forth in Schedule D.

“**Person**” means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted.

“**Priority Payables**” means the amounts payable by the Vendors which are secured by liens in favour of a Governmental Authority (including deemed trusts) that encumber the Purchased Assets and rank prior to the interests of the Purchaser, in its capacity as Interim Lender pursuant to the DIP Facility, arising by operation of any applicable statutory law.

“**Purchase Price**” means the Monetary Purchase Price plus the Assumed Obligations.

“**Purchased Assets**” means all of the Vendors’ right, title and interest, in and to the assets used in the business of the Vendors, including those assets set forth in Schedule A, but excluding Excluded Assets.

“**Purchaser**” has the meaning set out in the recitals hereto.

“**Representative**” means, in respect of a Party, each director, officer, employee, agent, Affiliate, manager, lender, solicitor, accountant, professional advisor, consultant, contractor and other representative of such Party or such Party’s Affiliates.

“**Sale Process Order**” means the order of the Court to be sought (i) approving the Sale Process and (ii) approving this Agreement for purposes of acting as a stalking horse bidder.

“**Sale Process**” means the Court-approved sale process pursuant to which: (i) Stoic Advisory Inc. is appointed as M&A advisor to the Vendors; and (ii) the Vendors, with the assistance and supervision of the M&A Advisor and the Monitor, shall market their assets for sale in accordance with the Bidding Procedures.

“**Sales Tax Legislation**” means Part IX of the *Excise Tax Act* and the regulations made under such legislation.

“**Sales Taxes**” means all taxes imposed under Sales Tax Legislation.

“**SRED Credits**” means all amounts claimed or claimable by the Vendors under the Government of Canada Scientific Research and Experimental Development Tax Incentive Program.

“**Stalking Horse Bid**” has the meaning set out in Section 4.1b).

“Successful Bidder” has the meaning set out in the Sales Process.

“**Tax Deduction**” has the meaning set out in Section 4.2b).

“Transaction” means the transaction of purchase and sale contemplated by this Agreement.

“Transfer Taxes” means all present and future transfer taxes, sales taxes, use taxes, production taxes, value-added taxes, goods and services taxes, land transfer taxes, registration and recording fees, and any other similar or like taxes and charges imposed by a Governmental Authority in connection with the sale, transfer or registration of the transfer of the Purchased Assets, including Sales Taxes but excluding any taxes imposed or payable under the Income Tax Act and any other applicable income tax legislation.

“Transition Agreement” means an agreement between the Purchaser and the Vendors (which for purposes of the Transition Agreement shall include and be binding upon a receiver or trustee in bankruptcy of any Vendor pursuant to the Approval and Vesting Order or other order of the Court acceptable to the Purchaser), pursuant to which the Vendors shall provide the Purchaser, at the Purchaser's expense, with such transition services as may reasonably be requested by the Purchaser after the Closing Date to give effect to the transaction contemplated by the Agreement, including without limitation; (i) hold any Non-Assignable Interests in trust for the Purchaser; (ii) to hold the Health Canada Licenses for the benefit of the Purchaser; (iii) administer the Non-Assignable Interests for the benefit of, and at the cost and direction of, the Purchaser; and (iv) continue the employment of any Transition Employees after the Closing Date as may be requested by the Purchaser;

“Transition Employees” means the Employees of the Vendors designated by the Purchaser not less than ten Business Days before the Closing Date to remain employed by the Vendors after the Closing Date, for the period(s) and on the terms set out in the Transition Agreement;

“Vendors” has the meaning set out in the recitals hereto.

Section 1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

Section 1.3 General Construction.

The terms “this Agreement”, “hereof”, “herein” and “hereunder” and similar expressions refer to this Agreement and not to any particular section hereof. The expression “Section” or reference to another subdivision followed by a number mean and refer to the specified Section or other subdivision of this Agreement. The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

Section 1.4 Extended Meanings

Words importing the singular include the plural and vice versa and words importing gender include all genders. The term “including” means “including, without limitation,” and such terms as “includes” have similar meanings.

Section 1.5 Currency

All references in this Agreement to dollars, monetary amounts or to \$ are expressed in Canadian currency unless otherwise specifically indicated.

Section 1.6 Statutes

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules, regulations and interpretations made under it, as it or they may have been or may from time to time be modified, amended or re-enacted.

Section 1.7 Schedules

The following Schedules are incorporated in and form part of this Agreement:

- Schedule A - Purchased Assets
- Schedule B - Excluded Assets
- Schedule C - Bidding Procedures
- Schedule D - Permitted Encumbrances
- Schedule E - Form of Approval and Vesting Order
- Schedule F - Purchase Price Allocation

ARTICLE 2 SALE AND PURCHASE AND ASSIGNMENT

Section 2.1 Sale and Purchase of Assets

Subject to the terms and conditions hereof, at the Closing Time, the Vendors hereby agree to sell, assign and transfer to the Purchaser and the Purchaser agrees to purchase from the Vendors, the Purchased Assets free and clear of all Encumbrances (other than Permitted Encumbrances) pursuant to the Approval and Vesting Order.

Section 2.2 Assignment of Contracts

In the event that there are any Contracts which are not assignable in whole or in part without the consent, approval or waiver of another party or parties to them and such consents, approvals or waivers have not yet been obtained as of the Closing Date, then:

- a) nothing in this Agreement will be construed as an assignment of any such Contract (each a “**Consent Required Contract**”);

- b) until the Approval and Vesting Order is granted, the Vendors shall use their commercially reasonable efforts to obtain any such consent, approval or waiver and the Purchaser shall provide its reasonable cooperation to assist the Vendors in obtaining any such consent, approval or waiver;
- c) if any consent, approval or waiver is not obtained for any Consent Required Contract prior to the service of the motion for the Approval and Vesting Order, the Purchaser may request that the Vendors bring a motion to the Court for issuance of an Assignment Order with respect to such Consent Required Contracts together with the motion for the Approval and Vesting Order;
- d) Pending obtaining consent or Assignment Order, the Vendors shall hold the Consent Required Contract as a Non-Assignable Interest to be administered in accordance with the Transition Agreement, and shall use commercially reasonable efforts to continue to perform their obligations under the Consent Required Contract, including engaging one or more of the Vendors as its agent to do so; and
- e) once the consent, approval or waiver to the assignment of a Consent Required Contract is obtained or the assignment of such Contract has been ordered by the Court, such Consent Required Contract shall be deemed to be assigned to the Purchaser on Closing.

With respect to each Consent Required Contract, subject to Closing and to either (i) the consent of the other parties thereto to the assignment thereof, or (ii) in the absence of such consent, the obtaining of an Assignment Order, in addition to its other obligations under this Agreement, the Purchaser shall pay the applicable Cure Costs related to such Consent Required Contract on Closing.

Section 2.3 "As is, Where is"

The Purchaser acknowledges that the Vendors are selling the Purchased Assets on an "as is, where is" basis as they shall exist as at the Closing Time. The Purchaser further acknowledges that it has entered into this Agreement on the basis that the Vendors do not guarantee title to the Purchased Assets. No representation, warranty or condition is expressed or can be implied as to title, Encumbrances, description, fitness for purpose, merchantability, condition, quantity or quality or in respect of any other matter or thing whatsoever concerning the Purchased Assets or the right of the Vendors to sell or assign same save and except as expressly represented or warranted herein. Without limiting the generality of the foregoing, any and all conditions, warranties or representations expressed or implied pursuant to the *Sale of Goods Act* (Ontario) or similar legislation do not apply hereto and have been waived by the Purchaser. The description of the Purchased Assets contained in the Schedules is for purpose of identification only. Except as otherwise provided in Section 5.2, no representation, warranty or condition has or will be given by the Vendors concerning completeness or accuracy of such descriptions.

Section 2.4 Assumed Obligations

The Purchaser shall assume and perform, discharge and pay when due the following obligations and liabilities of the Vendors (the “**Assumed Obligations**”) after the Closing:

- a) the DIP Facility and all security with respect thereto, either, in the sole discretion of Trichome Financial Corp. in its capacity as Lender thereunder, by assumption thereof or refinancing thereof pursuant to exit financing;
- b) all debts, liabilities and obligations under the Contracts (to the extent assigned or transferred to the Purchaser on Closing) for the period from and after the Closing Time;
- c) the obligation and liability of the Vendors to pay Cure Costs in respect of any Contract; and
- d) all debts, liabilities and obligations arising from ownership and use of the Purchased Assets for the period from and after the Closing Time.

Section 2.5 Excluded Obligations

Other than the Assumed Obligations, the Purchaser shall not assume and shall not be liable, directly or indirectly, or otherwise responsible for any debts, liabilities or other obligations of the Vendors, including, without limiting the generality of the foregoing:

- a) all debts, liabilities, obligations or Claims related to any Benefit Plans, Employees or any Excluded Asset;
- b) all debts, liabilities and obligations related to any Purchased Asset arising out of or related to the period prior to the Closing Time;
- c) all obligations and liabilities owing by any Vendor to any Affiliate;
- d) all debts, liabilities and obligations for or related to any obligation for any taxes that are not expressly assumed by the Purchaser;
- e) all taxes imposed on or relating to the Purchased Assets that are attributable to any pre-Closing tax period whether or not any such period ends on or before the Closing Date (other than any Transfer Taxes); and
- f) all debts, liabilities and obligations of the Vendors arising under this Agreement.

ARTICLE 3 PURCHASE PRICE

Section 3.1 Purchase Price

The aggregate purchase price (the “**Purchase Price**”) payable by the Purchaser to the Monitor on behalf of the Vendors for the Purchased Assets is the sum of: (i) the Monetary Purchase Price, and (ii) the Assumed Obligations. The Monetary Purchase Price shall be allocated on Closing amongst the Purchased Assets in accordance with the provisions of Schedule F.

Section 3.2 Satisfaction of Purchase Price

Provided that all conditions precedent to Closing have been satisfied or waived in accordance with Article 7, the Purchase Price shall be paid and satisfied on Closing as follows:

- a) as to the amount of the Credit Bid Amount, by the crediting and set off of the Credit Bid Amount against an amount of the Monetary Purchase Price equal to the amount of the Credit Bid Amount;
- b) as to the Closing Cash Payment, by wire transfer in immediately available funds paid to the Monitor or as the Monitor may direct in writing;
- c) as to the dollar value of the Assumed Obligations (other than the DIP Facility), by the assumption by the Purchaser of the Assumed Obligations; and
- d) in the case of the DIP Facility, either, in the sole discretion of Trichome Financial Corp as Lender thereunder, by the assumption thereof or by refinancing thereof by exit financing.

Section 3.3 Transfer Taxes

- (1) The Parties agree that:
 - a) the Purchase Price is exclusive of all Transfer Taxes and the Purchaser shall be liable for and shall pay any and all applicable Transfer Taxes pertaining to the Purchaser’s acquisition of the Purchased Assets;
 - b) subject to Section 3.3(c), the Purchaser shall pay any applicable Transfer Taxes on the Purchaser’s acquisition of the Purchased Assets in addition to the Purchase Price, either to the Monitor on behalf of the Vendors or directly to the appropriate governmental Authority, as required by Applicable Law;
 - c) if applicable, the Vendors and the Purchaser shall jointly elect that no Sales Taxes are payable pursuant to the Sales Tax Legislation with respect to the purchase and sale of the Purchased Assets under this Agreement and the Purchaser will file an election pursuant to section 167 of the Sales Tax Legislation, prepared by the Purchaser and made jointly by the Purchaser and the Vendors, in compliance with the requirements of the Sales Tax Legislation.

The Purchaser shall indemnify the Vendors for any Sales Tax, interest and penalties applicable to the Vendors on the sale of the Purchased Assets caused by the Purchaser's failure to file a valid election under section 167 of the Sales Tax Legislation within the prescribed time.

- (2) If requested by the Purchaser, the Vendors shall make:
- a) a joint election(s) to have the rules in section 22 of the Income Tax Act, and any equivalent or corresponding provision under applicable provincial or territorial tax legislation, apply in respect of the Accounts Receivable; and
 - b) a joint election(s) to have the rules in subsection 20(24) of the Income Tax Act, and any equivalent or corresponding provision under applicable provincial or territorial tax legislation, apply to the obligations of the Vendors in respect of undertakings which arise from the operation of the business to which the Purchased Assets related and to which paragraph 12(1)(a) of the Income Tax Act applies.

ARTICLE 4 BIDDING PROCEDURES

Section 4.1 Bidding Procedures

- a) The Vendors and the Purchaser acknowledge that this Agreement and the transactions contemplated hereby are subject to Court approval.
- b) The Vendors and the Purchaser acknowledge and agree that the Vendors shall apply to the Court by no later than April 13, 2020, or such other date as they may agree, for the Sale Process Order, inter alia, recognizing this Agreement, and in particular the Purchase Price, as a baseline or "stalking horse bid" (the "**Stalking Horse Bid**") and approving the Bidding Procedures, the payment of the Expense Reimbursement in the circumstances set out in Section 4.2, and the parties will use commercially reasonable efforts to have the Sale Process Order issued. The Purchaser acknowledges and agrees that the Bidding Procedures are in contemplation of determining whether a superior bid can be obtained for the Purchased Assets.

Section 4.2 Expense Reimbursement

- a) In consideration for the Purchaser's expenditure of time and money and agreement to act as the initial bidder through the Stalking Horse Bid, and the preparation of this Agreement, and in performing due diligence pursuant to this Agreement, and subject to Court approval, the Purchaser shall be entitled to an expense reimbursement amount not to exceed \$100,000 (inclusive of HST) (the "**Expense Reimbursement**"), payable by the Vendors to the Purchaser only in the event that a successful bid other than the Stalking Horse Bid is accepted by the Vendors, approved by the Court and completed. The payment of the foregoing amount shall be approved in the Sale Process Order and shall

be payable to the Purchaser out of the sale proceeds derived from and upon completion of the successful bid. Each of the parties hereto acknowledges and agrees that the foregoing amount represents a fair and reasonable estimate of the costs and damages that will be incurred by the Purchaser as a result of non-completion of this Agreement and is not intended to be punitive in nature nor to discourage competitive bidding for the Purchased Assets, business and Assumed Liabilities.

- b) The Expense Reimbursement shall be paid by the Vendors to the Purchaser without deduction or withholding for taxes (a "**Tax Deduction**"), unless a Tax Deduction is required by Applicable Law. In the event that the Vendors determine that a Tax Deduction is required by Applicable Law to be made in respect of the payment of the Expense Reimbursement, or any portion thereof, the Vendors shall pay such additional amount (the "**Additional Amount**") as shall be required to result in the Purchaser receiving an amount equal to the amount which it would have received if no Tax Deduction had been required.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

Section 5.1 Purchaser's Representations

The Purchaser represents and warrants to the Vendors as of the date hereof and acknowledges that, as of the Closing Time, the Vendors are relying on such representations and warranties in connection with entering into this Agreement and performing their obligations hereunder:

- a) the Purchaser is a corporation duly incorporated, organized and subsisting under the laws of its jurisdiction of incorporation and has the requisite power and authority to enter into this Agreement and to complete the transactions contemplated hereunder;
- b) the Purchaser has the requisite power and authority to enter into this Agreement and to complete the transactions contemplated hereunder;
- c) neither the execution of this Agreement nor the performance by the Purchaser of the Transaction will violate the Purchaser's constating documents, any agreement to which the Purchaser is bound, any judgment or order of a court of competent jurisdiction or any Governmental Authority, or any Applicable Law. The execution and delivery of this Agreement and the consummation of the Transaction have been duly authorized by all necessary corporate action on the part of the Purchaser. This Agreement is a valid and binding obligation of the Purchaser enforceable in accordance with its terms; and
- d) the Purchaser has not committed an act of bankruptcy, is not insolvent, has not proposed a compromise or arrangement to its creditors generally, has not had any application for a bankruptcy order filed against it, has not taken any

proceeding and no proceeding has been taken to have a receiver appointed over any of its assets, has not had an encumbrancer take possession of any of its property and has not had any execution or distress become enforceable or levied against any of its property.

Section 5.2 Vendors' Representations

Each of the Vendors represents and warrants to the Purchaser as of the date hereof and as of the Closing Time as follows and acknowledges that the Purchaser is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

- a) each of the Vendors is a corporation duly incorporated, organized and subsisting under the laws of its respective jurisdiction of incorporation;
- b) each the Vendors is not a non-resident of Canada for purposes of the *Income Tax Act* or the *Excise Tax Act*, as applicable;
- c) as of the date hereof, to the best of each Vendor's actual knowledge, and without investigation, no notices of termination have been received by the Vendors under any customer or vendor contracts of the Vendors; and
- d) subject to obtaining the Sale Process Order and the Approval and Vesting Order and, if applicable, the Assignment Order, the Vendors have the requisite power and authority to enter into this Agreement and to complete the Transaction contemplated hereunder.

Section 5.3 Limitations

With the exception of the Vendors' representations and warranties in Section 5.2 and the Purchaser's representations and warranties in Section 5.1, none of the Vendors or the Purchaser, or their respective Representatives, nor any of their respective officers, directors or Employees make, have made or shall be deemed to have made any other representation or warranty, express or implied, at law or in equity, in respect of the Vendors, the Purchaser, or the Purchased Assets or the sale and purchase of the Purchased Assets pursuant to this Agreement.

ARTICLE 6 COVENANTS

Section 6.1 Conduct of Business in the Ordinary Course

- (1) The Vendors shall use commercially reasonable efforts to conduct their business in the Ordinary Course of Business except to the extent required to allow the Vendors to comply with their obligations under this Agreement, subject in all cases to any limitation imposed by being subject to CCAA Proceedings and any Court order.

- (2) Without limiting the generality of Section 6.1(1), the Vendors shall use their commercially reasonable efforts to:
- a) remain in possession of the Purchased Assets until Closing, use the Purchased Assets only in the Ordinary Course of Business and maintain, preserve and protect the Purchased Assets in the condition in which they exist on the date hereof, other than ordinary wear and tear and other than replacements, dispositions, modifications or maintenance in the Ordinary Course of Business,
 - b) keep the Health Canada Licenses in good standing,
 - c) not dispose of any of the Purchased Assets, other than Inventory in the Ordinary Course of Business or as permitted under the Initial Order;
 - d) not disclaim any contract that is material to the business of the Vendors without the prior written consent of the Purchaser; and
 - e) not enter into any material contract or other material written agreement in respect of any of the Purchased Assets other than in the Ordinary Course of Business; except, in each case, with the prior written consent of the Purchaser, such consent not to be unreasonably withheld, or an order of the Court, and provided that such consent of the Purchaser shall be deemed to have been given with respect to any request for such a consent to which the Purchaser fails to respond within two (2) Business Days after such request is made.
- (3) The Vendors, with the assistance of the Monitor, shall provide an estimate of the Closing Cash Payment amount to the Purchaser and all other interested parties one week prior to the bid deadline.

Section 6.2 Actions to Satisfy Closing Conditions

- (1) The Vendors agree to take all commercially reasonable actions so as to ensure compliance with all of the conditions set forth in Section 7.1 and Section 7.3.
- (2) If the Purchaser is the Successful Bidder, the Vendors agree prior to the Closing Date to take all commercially reasonable efforts to assist the Purchaser with the transition of customer and supplier relationships from the Vendors to the Purchaser. The Purchaser agrees to take all commercially reasonable efforts so as to ensure compliance with all of the conditions set forth in Section 7.2 and Section 7.3.

ARTICLE 7 CONDITIONS PRECEDENT

Section 7.1 Conditions Precedent in favour of the Purchaser

- (1) The obligation of the Purchaser to complete the Transaction is subject to the following conditions being fulfilled or performed:

- a) all representations and warranties of the Vendors contained in this Agreement shall be true in all material respects as of the Closing Time with the same effect as though made on and as of that date;
 - b) the Vendors shall have performed each of their obligations under this Agreement to the extent required to be performed at or before the Closing Time, including the delivery of each of the items required pursuant to Section 8.3;
 - c) all stays of proceedings provided for in the CCAA Proceedings, including in any Court orders granted therein, shall have remained in effect as at the Closing Time except where any such stay is terminated or lifted or amended in a manner which is not materially prejudicial to the Purchaser or which does not materially adversely affect the Purchaser's rights under this Agreement or the Purchased Assets;
 - d) the Vendors shall have entered into a Transition Agreement on terms acceptable to the Purchaser, acting reasonably; and
 - e) the Purchaser shall have obtained a valid and binding assignment of the Health Canada Licenses or replacement licenses that are substantially similar to the Health Canada Licenses, in each case on terms satisfactory to the Purchaser, in its sole discretion.
- (2) The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition in this Section 7.1 may be waived by the Purchaser in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfillment of any other condition in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing. If any condition set out in Section 7.1 is not satisfied or performed on or prior to the Outside Date, the Purchaser may elect on written notice to the Vendors to terminate this Agreement.

Section 7.2 Conditions Precedent in favour of the Vendors

- (1) The obligation of the Vendors to complete the Transaction is subject to the following conditions being fulfilled or performed:
- a) all representations and warranties of the Purchaser contained in this Agreement shall be true in all material respects as of the Closing Time with the same effect as though made on and as of that date; and
 - b) the Purchaser shall have performed in all material respects each of its obligations under this Agreement to the extent required to be performed at or before the Closing Time, including the delivery of each of the items required pursuant to Section 8.2.
- (2) The foregoing conditions are for the exclusive benefit of the Vendors. Any condition in this Section 7.2 may be waived by the Vendors in whole or in part, without

prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part. Any such waiver shall be binding on the Vendors only if made in writing. If any condition set forth in Section 7.2 is not satisfied or performed on or prior to the Outside Date, the Vendors may elect on written notice to the Purchaser to terminate the Agreement.

Section 7.3 Conditions Precedent in favour of both the Purchaser and the Vendors

- (1) The obligations of the Vendors and the Purchaser to complete the Transaction are subject to the following conditions being fulfilled or performed:
 - a) the Sales Process Order shall have been granted on terms satisfactory to the Purchaser and Vendors, each acting reasonably, and the Purchaser shall be the Successful Bidder;
 - b) the Approval and Vesting Order shall have been obtained and shall not have been stayed, varied, or vacated;
 - c) the Transition Agreement shall have been approved by the Court, including without limitation an order making the Transition Agreement binding on a trustee in bankruptcy of the Vendors, and/or a receiver of the Vendors' interests in any Non-Assignable Interests;
 - d) no order shall have been issued by a Governmental Authority which restrains or prohibits the completion of the Transaction; and
 - e) no motion, action or proceedings shall be pending by or before a Governmental Authority to restrain or prohibit the completion of the Transaction contemplated by this Agreement.
- (2) The Parties hereto acknowledge that the foregoing conditions are for the mutual benefit of the Vendors and the Purchaser. If the conditions set out in this Section 7.3 are not satisfied performed or mutually waived on or before the Outside Date, any Party shall have the option to terminate this Agreement upon written notice to the other Parties.

**ARTICLE 8
CLOSING**

Section 8.1 Closing

Subject to the conditions set out in this Agreement, the completion of the Transaction shall take place at the Closing Time at the offices of Torys LLP, or as otherwise determined by mutual agreement of the Parties in writing and the Parties shall exercise commercially reasonable efforts to cause Closing to occur at the Closing Time and, in any event, prior to the Outside Date.

Section 8.2 Purchaser's Deliveries on Closing

At or before the Closing Time, the Purchaser shall execute and deliver, or arrange for the delivery, as the case may be, to the Vendors the following, each of which shall be in form and substance satisfactory to the Vendors, acting reasonably:

- a) the Closing Cash Payment in accordance with Section 3.2b) and evidence reasonably satisfactory to the Purchaser that the Credit Bid Amount has been set off and extinguished against the Monetary Purchase Price;
- b) payment of Transfer Taxes required by Applicable Law to be collected by any Vendor, or alternatively, if applicable, the election(s) referred to in Section 3.3(1)c) executed by the Purchaser;
- c) an executed assignment and assumption agreement evidencing the assumption by the Purchaser of the Assumed Obligations;
- d) an executed assignment agreement evidencing the assumption by the Purchaser of all Intellectual Property;
- e) a certificate dated as of the Closing Date confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Purchaser has performed in all respects the covenants to be performed by it prior to the Closing Time; and
- f) such further and other documentation as is referred to in this Agreement or as the Vendors may reasonably require to give effect to this Agreement.

Section 8.3 Vendors' Deliveries on Closing

At or before the Closing Time, the Vendors shall execute and deliver, or arrange for the delivery, as the case may be, to the Purchaser the following, each of which shall be in form and substance satisfactory to the Purchaser, acting reasonably:

- a) the Purchased Assets, which shall be delivered *in situ* wherever located as of the Closing;
- b) the Approval and Vesting Order;
- c) the Transition Agreement;
- d) an executed assignment and assumption agreement evidencing the assignment by the Vendors of the Assumed Obligations to the Purchaser;
- e) an executed assignment agreement evidencing the assignment by the Vendors of all Intellectual Property to the Purchaser;

- f) a true and complete copy of all Assignment Orders, if any, entered by the Court;
- g) a certificate dated as of the Closing Date confirming that all of the representations and warranties of the Vendors contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Vendors have performed in all material respects the covenants to be performed by them prior to the Closing Time;
- h) if applicable, the election(s) referred to in Section 3.3(1)c) executed by the Vendors;
- i) the executed Monitor's Certificate;
- j) a valid and binding assignment of the Health Canada Licenses on terms satisfactory to the Purchaser, acting reasonably, unless replacements therefor have been obtained; and
- k) such further and other documentation as is referred to in this Agreement or as the Purchaser may reasonably require to give effect to this Agreement.

Section 8.4 Possession of Assets

- (1) On Closing, the Purchaser shall take possession of the Purchased Assets where situate at Closing. The Purchaser acknowledges that the Vendors have no obligation to deliver physical possession of the Purchased Assets to the Purchaser. In no event shall the Purchased Assets be sold, assigned, transferred or set over to the Purchaser until the conditions set out in the Approval and Vesting Order have been satisfied or waived by the Purchaser or Vendors, as applicable, and the Purchaser has satisfied all delivery requirements outlined in Section 8.2. The Purchaser shall promptly notify the Vendors of any Excluded Assets which may come into the possession or control of the Purchaser, whether before or after Closing, and thereupon shall promptly release such Excluded Assets to the Vendors, or to such other Person as the Vendors may direct in writing and, for greater certainty, title shall not be deemed to vest to the Purchaser in respect of any Excluded Assets. The Vendors shall have no obligation to remove any Excluded Equipment from any premises that constitute part of Purchased Assets. All right, title and interest in any such Excluded Equipment which is not sold or removed from such premises after three months following Closing shall vest in the Purchaser unless the Purchaser objects to such title transfer in which case, right, title and interest shall continue to vest in the Vendors but the Purchaser shall be entitled to dispose of such Excluded Equipment at the Purchaser's expense.
- (2) The Purchased Assets shall be and remain until Closing at the risk of the Vendors. In the event of material (exceeding \$100,000) damage by fire or other hazard to the Purchased Assets or any part thereof occurring before the Closing Date, the Vendors shall immediately advise the Purchaser thereof by notice in writing.

Section 8.5 Dispute Resolution

If any dispute arises with respect to any matter related to the Transaction or the interpretation or enforcement of this Agreement such dispute will be determined by the Court, or by such other Person or in such other manner as the Court may direct or as mutually agreed by the Vendors and the Purchaser.

Section 8.6 Termination

- (1) This Agreement shall automatically terminate at any time prior to the Closing Time by mutual written agreement of the Vendors and the Purchaser and on consent of the Monitor.
- (2) This Agreement may be terminated at any time prior to the Closing Time upon the occurrence of any of the following:
 - a) a condition precedent has not been satisfied or waived pursuant to and in accordance with Article 7 and a Party entitled to terminate this Agreement as a result thereof has delivered written notice of termination pursuant to Article 7 (provided that the terminating Party has not failed to satisfy a closing condition under this Agreement); or
 - b) Closing shall not have occurred on or prior to the Outside Date in accordance with Section 7.3 and any of the Parties shall have delivered written notice of termination to the other Parties terminating this Agreement as a result thereof (provided that the terminating Party has not failed to satisfy a closing condition under this Agreement).

Section 8.7 Effects of Termination and Closing

- (1) If this Agreement is terminated pursuant to Section 8.6, all further obligations of the Parties under or pursuant to this Agreement shall terminate without further liability of any Party to the other except for the provisions of this Section 8.7 (Effects of Termination and Closing), each of which will survive termination.
- (2) If the Transaction is not completed by the Outside Date solely as a result of the Vendors' failure to perform any of their obligations under this Agreement, then the Expense Reimbursement shall become due and payable to the Purchaser in accordance with the terms of this Agreement.
- (3) Under no circumstance shall any of the Parties, their Representatives or their respective directors, officers, employees or agents be liable for any special, punitive, exemplary, consequential or indirect damages (including loss of profits) that may be alleged to result, in connection with, arising out of, or relating to this Agreement or the transactions contemplated herein.

**ARTICLE 9
GENERAL**

Section 9.1 Access to Books and Records

- (1) For a period of two years from the Closing Date or for such longer period as may be reasonably required for the Vendors (or any trustee in bankruptcy of the estate of the Vendors) to comply with Applicable Law, the Purchaser will retain all original Books and Records that are transferred to the Purchaser under this Agreement. So long as any such Books and Records are retained by the Purchaser pursuant to this Agreement, the Vendors (and any representative, agent, former director or officer or trustee in bankruptcy of the estate of the Vendors, including the Monitor) has the right to inspect and to make copies (at its own expense) of them at any time upon reasonable request during normal business hours and upon reasonable notice for any proper purpose and without undue interference to the business operations of the Purchaser.

Section 9.2 Notice

- (1) Any notice or other communication under this Agreement shall be in writing and may be delivered by read-receipted email, addressed:
- a) in the case of the Purchaser, as follows:

Trichome Financial Corp.
150 Bay Street West, Suite 200
Toronto, Ontario
M5H 1J9

Attention: Michael Ruscetta
Email: mruscetta@trichomefinancial.com

With a copy to:

Torys LLP
79 Wellington Street West
Suite 3000
Toronto, Ontario
M5K 1N2

Attention: Scott Bomhof
Email: sbomhof@torys.com

- b) in the case of the Vendors, as follows:

James E. Wagner Cultivation Corporation
PO Box 46015
Kitchener, Ontario
N2E 4J3

Attention: Nathan Woodworth
Email: nathan@jwcmed.com

With a copy to:

Bennett Jones LLP
3400 - 100 King Street West
Toronto, Ontario
M5X 1A4

Attention: Sean Zweig
Email: zweigs@bennettjones.com

- c) in each case, with a further copy to the Monitor, as follows:

KSV Kofman Inc.
150 King Street West
Suite 2308
Toronto, Ontario
M5H 1J9

Attention: Bobby Kofman/Noah Goldstein
Email: bkofman@ksvadvisory.com/ngoldstein@ksvadvisory.com

- (2) Any such notice or other communication, if transmitted by email before 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on such Business Day, and if transmitted by email after 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission.
- (3) Sending a copy of a notice or other communication to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice or other communication to that Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party.

Section 9.3 Time

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Vendors and the Purchaser.

Section 9.4 Survival

The representations and warranties of the Parties contained in this Agreement shall merge on Closing and the covenants of the Parties contained herein to be performed after the Closing shall survive Closing and remain in full force and effect.

Section 9.5 Personal Information

The Purchaser hereby acknowledges that it is aware, and that it will advise its Representatives, that privacy legislation, including the *Personal Information Protection and Electronic Documents Act* (Canada), applies to certain information that may be disclosed to the Purchaser and its Representatives pursuant to this Agreement and/or the Transaction. The Purchaser agrees to comply, and cause its Representatives to comply, with such privacy legislation in connection with any such information disclosed to it or any of them.

Section 9.6 Benefit of Agreement

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

Section 9.7 Entire Agreement

This Agreement, the attached Schedules hereto, constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior negotiations, understandings and agreements. This Agreement may not be amended or modified in any respect except by written instrument executed by all of the Parties.

Section 9.8 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

Section 9.9 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

Section 9.10 Commission

The parties acknowledge that the M&A Advisor has been retained and may be entitled to payment of fees in accordance with the SISP. The Purchaser agrees to indemnify the Vendors and its Representatives against any claim for compensation or commission by any third party or agent retained by the Purchaser in connection with, or in contemplation of, the Transaction and the Vendors shall indemnify the Purchaser and its Representatives for any third party or agent or broker fees or other commissions payable by the Vendors on the Purchase Price or otherwise in connection with the Transaction.

Section 9.11 Assignment by Purchaser

This Agreement may be assigned by the Purchaser prior to the issuance of the Approval and Vesting Order, without the prior written consent of the Vendors or the Monitor, provided that such assignee is also the holder of the Purchaser's interests under the Loan Agreement, the Factoring Agreement and the DIP Facility. If the Purchaser assigns its rights under this Agreement, (i) the Purchaser shall provide prior notice of such assignment to the Vendors, and (ii) such assignee shall agree to be bound by the terms of this Agreement to the extent of the assignment; provided, however, that any such assignment shall not relieve the Purchaser of its obligations hereunder.

Section 9.12 Further Assurances

Each of the Parties shall, at the request and expense of the requesting Party, take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such conveyances, transfers, documents and further assurances as may be reasonably necessary or desirable to give effect to this Agreement.

Section 9.13 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by facsimile or by e-mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

Section 9.14 Severability

Notwithstanding any provision herein, if a condition to complete the Transaction, or a covenant or an agreement herein is prohibited or unenforceable pursuant to Applicable Law, then such condition, covenant or agreement shall be ineffective to the extent of such prohibition or unenforceability without invalidating the other provisions hereof.

Section 9.15 Monitor's Certificate

The Parties acknowledge and agree that the Monitor shall be entitled to deliver to the Purchaser, and file with the Court, the executed Monitor's Certificate without independent investigation, upon receiving written confirmation from both Parties (or the applicable Party's counsel) that all conditions of Closing in favour of such Party have been satisfied or waived, and the Monitor shall have no liability to the Parties in connection therewith. The Parties further acknowledge and agree that (i) upon written confirmation from both Parties that all conditions of Closing in favour of such Party have been satisfied or waived (other than the payments contemplated in Section 3.2 and the delivery of the executed Monitor's Certificate), the Monitor may deliver the executed Monitor's Certificate to the Purchaser's counsel in escrow, with the sole condition of its release from escrow being the Monitor's written confirmation that all such funds have been received, the Monitor's Certificate will be released from escrow to the Purchaser, and the Closing shall be deemed to have occurred.

Section 9.16 Monitor's Capacity


The Vendors and the Purchaser acknowledge and agree that the Monitor, acting in its capacity as Monitor of the Vendors, will have no liability, in its personal capacity or otherwise, in connection with this Agreement whatsoever as Monitor.

[THE REMAINDER OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the Parties have executed this Agreement.

PURCHASER:

TRICHOME FINANCIAL CORP.

By: 

Name:
Title:

VENDORS:

JAMES E. WAGNER CULTIVATION CORPORATION

By: _____
Name:
Title:

JAMES E. WAGNER CULTIVATION LTD.

By: _____
Name:
Title:

JWC 1 LTD.

By: _____
Name:
Title:

JWC 2 LTD.

By: _____
Name:
Title:

JWC SUPPLY LTD.

By: _____
Name:
Title:

IN WITNESS WHEREOF, the Parties have executed this Agreement.


PURCHASER:

TRICHOME FINANCIAL CORP.


By: _____
Name:
Title:

VENDORS:

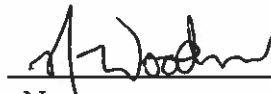
JAMES E. WAGNER CULTIVATION CORPORATION

By:  _____
Name:
Title:


JAMES E. WAGNER CULTIVATION LTD.

By:  _____
Name:
Title:

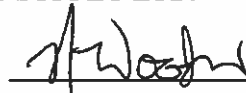
JWC 1 LTD.

By:  _____
Name:
Title:


JWC 2 LTD.

By:  _____
Name:
Title:

JWC SUPPLY LTD.

By:  _____
Name:
Title:

GROWTHSTORM INC.

By: 

Name:

Title:

Schedule A - Purchased Assets

- (1) All cash and cash equivalents;
- (2) All movable property, leasehold improvements and equipment, furniture, fixtures and other fixed assets, if any (excluding those that are subject to capital leases), in addition to all computer hardware used in connection with the business;
- (3) All Books and Records;
- (4) All inventory of the Vendors used in the carrying on of its business;
- (5) The benefit of all contracts or other agreements listed in Appendix 1 to this Schedule A in each case, as amended, extended, assigned or otherwise modified, which shall include, (in this Schedule A, the “**Assumed Contracts**”);
- (6) All Accounts Receivable;
- (7) All SRED Credits;
- (8) All prepaid expenses to the extent necessary for the operation of the business form and after the Closing;
- (9) All supplies owned by the Vendors and used in connection with the business;
- (10) All Intellectual Property owned or licensed by the Vendors and used in or relating to the carrying on of the business, including Intellectual Property developed by the Vendors’ employees;
- (11) All customer guarantees, customer notes, security agreements, financing statements under applicable personal property security legislation, customer deposits or collateral, filings or property securing customer obligations (in each case, solely to the extent related to any of the Accounts Receivables and/or Assumed Contracts);
- (12) All government licenses, approvals, permits or similar used in connection with the business, to the extent they are assignable; and

- (13) All goodwill associated with the business or the Purchased Assets, including the right to carry on the business in continuation of the Vendors.

Appendix 1 to Schedule A - Assumed Contracts

The following leases:

- Lease dated December 13, 2013, between Blue Top Properties (885 Trillium) Inc. and JWC Ltd. in respect of the Facility
- Lease dated February 1, 2018, between Homer Land Corp. and JWC Ltd. in respect of the Second Facility

The following customer contracts:

- Master Cannabis Supply Agreement between JWC and Ontario Cannabis Retail Corporation dated February 19, 2020
- Supply Arrangements between JWC and Prince Edward Island Cannabis Management Corporation
- Agreements related to the Private Label and Commercial Packaging agreement between JWC and Atlantic Cultivation Limited

Schedule B - Excluded Assets

1. Benefit Plans

Schedule C

IN THE MATTER OF JAMES E. WAGNER CULTIVATION COPORATION JAMES E. WAGNER CULTIVATION LTD., JWC 1 LTD., JWC 2 LTD., JWC SUPPLY LTD. AND GROWTHSTORM INC. (the "VENDORS")

Bidding Procedures

Set forth below are the bidding procedures (the "**Bidding Procedures**") to be employed with respect to the sale (the "**Sale**") of the Vendors' assets pursuant to a court approved solicitation process in the CCAA Proceedings of the Vendors.

On April 9, 2020, the Court issued an order (the "**Sale Process Order**") approving and accepting for the purpose of conducting a "stalking horse" solicitation process (the "**Stalking Horse Process**") in accordance with these Bidding Procedures that certain asset purchase agreement dated March 31, 2020 (the "**Stalking Horse Bid**") between the Vendors and Trichome Financial Corp. (the "**Stalking Horse Bidder**"), including, without limitation, the appointment of Stoic Advisory Inc. as M&A advisor to the Vendors (the "**M&A Advisor**"), the payment of an expense reimbursement (the "**Expense Reimbursement**") by the Vendors to the Stalking Horse Bidder in accordance with the provisions of the Stalking Horse Bid, and approving these Bidding Procedures.

Subject to Court availability and the terms hereof, the Vendors shall bring a motion (the "**Approval and Vesting Order Motion**") on or before June 5, 2020 (or, if there is no Auction, on or before May 29, 2020) seeking the granting of an order by the Court authorizing the Vendors to proceed with the Sale of the Vendors' Assets to the Qualified Bidder making the Successful Bid (each as defined below) (the "**Successful Bidder**") (such order, as approved, the "**Approval and Vesting Order**").

Key Dates

April 10, 2020 at 5:00 p.m. (prevailing Eastern Time) (prevailing Eastern Time)	Delivery of Teasers and Sales Packages
April 10, 2020 at 5:00 p.m. (prevailing Eastern Time)	Confidential Data-Site to be established
May 15, 2020 at 5:00 p.m. (prevailing Eastern Time)	Bid Deadline - Due Date for Bids and Deposits
May 19 at 5 p.m. (prevailing Eastern Time)	Monitor to provide the Stalking Horse Bidder and each Qualified Bidder a schedule setting forth either or both (i) the highest or otherwise best fully binding offer for all of the Debtors' Assets and (ii) the highest or otherwise best fully binding offer(s) for all or any combination of the Purchased Assets
May 22 at 10:00 a.m. (prevailing Eastern Time)	Auction (if any)
May 29 at 10:00 a.m. (prevailing Eastern Time) (pending the Court's availability), or as soon as practicable if the Auction is not required	Approval and Sale Order hearing
June 5 at 10:00 a.m. (prevailing Eastern Time) (pending the Court's availability), or as soon as practicable if there is an Auction	Approval and Sale Order hearing

Assets to Be Sold En Bloc or Piecemeal

The Vendors are offering for Sale all of the Vendors' right, title and interest in and to all of the Vendors' assets (the "**Vendors' Assets**") and the Vendors will consider (i) a bid for all of the Vendors' Assets (an "**En Bloc Bid**"); or (ii) separate bids to acquire some but not

all of the Vendors' assets (a "**Piecemeal Bid**"), provided that the Vendors will only consider Piecemeal Bids if a combination of one or more Piecemeal Bids in the aggregate meet the requirements to be a Qualified Bid (as defined below). The M&A Advisor under the supervision of the Special Committee of the Board of JWC (the "**Special Committee**") and KSV Kofman Inc., in its capacity as Monitor of the Vendors (the "**Monitor**"), will be responsible for conducting the solicitation process and an auction (the "**Auction**") (if any) on behalf of the Vendors. The Auction, if any, will be conducted by the Monitor. The Vendors' preferred transaction structure is for En Bloc Bid.

Although the Vendors are seeking bids to purchase some or all of the Vendors' assets, the Vendors will also consider a bid that contemplates a Plan of Restructuring for the Vendors (a "**Plan Bid**") provided that such Plan Bid will only be a Qualified Bid if it: (i) provides for the indefeasible payment in full of the amounts owing to Trichome Financial Corp, including without limitation the secured indebtedness owing to Trichome Financial Corp. and the Expense Reimbursement amount under the Stalking Horse APA, on or before the Outside Date regardless of the timeline for such Plan Bid; (ii) has conditions that, in the reasonable opinion of the Vendors and the Monitor, are likely to be satisfied; and (iii) includes a fully-funded commitment to provide any additional interim financing required by the Vendors to complete all steps required to implement such Plan Bid, such financing to be subordinate to the existing Administration Charge, D&O Charge and DIP Charge.

The Bidding Process

The M&A Advisor, under the supervision of the Special Committee and the Monitor, shall be responsible for the marketing and sale of the Vendors' Assets pursuant to the process described by the Monitor's Report to Court dated April 6, 2020 (the "Bidding Process"), which is set out below. The Monitor, with the consent of the Special Committee, shall have the right to adopt such other rules for the Bidding Process (including rules that may depart from those set forth herein) that in its reasonable business judgment will better promote the goals of the Bidding Process, *provided, however*, that the adoption of any rule that materially deviates from these Bidding Procedures shall require the prior written consent of the Stalking Horse Bidder or a further Order of the Court.

Participation Requirements

"**Qualified Bidder**" is a bidder who submits a bid in substantially the same form as the Stalking Horse Bid, for a cash purchase price of at least CAD\$11.95 million and includes the Required Bid Terms and Materials (as defined below). Any bid meeting these criteria that is received by the Monitor before the Bid Deadline is a qualified bid ("**Qualified Bid**").

Bid Deadline

A Qualified Bidder that desires to make a bid shall deliver written copies of its bid and the Required Bid Terms and Materials to the Monitor no later than 5:00 p.m. (prevailing Eastern time) on May 15, 2020 (the “**Bid Deadline**”). The Monitor shall forthwith provide copies of any bids received to the Special Committee.

Bid Requirements

All bids (other than the Stalking Horse Bid) must include, unless such requirement is waived by the Monitor after consultation with the Special Committee, the following (collectively, the “**Required Bid Terms and Materials**”):

- (i) A base cash purchase price equal to or greater than CAD\$11.95 million, being the estimated amount payable under the Stalking Horse Bid (\$7.6 million), inclusive of the Closing Cash Payment, plus the amount of the DIP Facility (estimated to be approximately \$4 million) plus the Expense Reimbursement (\$100,000) and \$250,000 bid increment (collectively, the “**Base Purchase Price**”);

A provision stating that the bidder’s offer is irrevocably open for acceptance until the earlier of (i) the date that the Vendors’ Assets have been sold pursuant to the closing of the sale approved by the Court; and (ii) the Outside Date;

- (ii) An executed copy of a proposed purchase agreement and a redline of the bidder’s proposed purchase agreement reflecting variations from the Stalking Horse Bid (the “**Marked Agreement**”);

- (iii) A cash deposit in the amount of not less than fifteen *per cent* (15%) of the amount of the Base Purchase Price, in the form of a wire transfer, certified cheque or such other form acceptable to the Monitor (the “**Bid Deposit**”), which shall be held in the trust account of the Monitor’s solicitors (the “**Escrow Account**”). Funds shall be disbursed from the Escrow Account only as follows: (i) if the Qualified Bidder is the Successful Bidder, its Bid Deposit will be applied without interest on Closing to the purchase price payable by it under its bid on the closing thereof; and (ii) if the Qualified Bidder is not the Successful Bidder, then its Bid Deposit shall be returned without interest to it forthwith following the expiration of its offer (which in the case of the Back-Up Bidder shall be following closing of the sale to the Successful Bidder).

For the purposes of these Bidding Procedures, the Monitor shall provide all bidders with an estimate of the anticipated amount owing under the DIP Facility as of the Closing Date,

provided however that the Successful Bidder must agree to adjust its bid (either higher or lower) to reflect the actual amount owing under the DIP Facility on Closing.

A bid received from a Qualified Bidder that includes all of the Required Bid Terms and Materials and is received by the Bid Deadline is a “**Qualified Bid**”. The Monitor shall review the Qualified Bids and shall recommend to the Special Committee which Qualified Bid is the best offer. The Special Committee, in consultation with the Monitor, reserves the right to determine the value of any Qualified Bid, and which Qualified Bid constitutes the best offer (the “**Lead Bid**”). Details of the Lead Bid will be provided by the Monitor to all Qualified Bidders after the Bid Deadline and no later than 5:00p.m. (Eastern Time) three (3) Days before the date scheduled for the Auction.

Notwithstanding the bid requirements detailed above, the Stalking Horse Bid shall be deemed to be a Qualified Bid and the Stalking Horse Bidder shall be deemed to be a Qualified Bidder.

“As Is, Where Is, With All Faults”

The Sale of the Vendors’ Assets shall be on an “as is, where is” and “with all faults” basis and without representations, warranties, or guarantees, express, implied or statutory, written or oral, of any kind, nature, or description by the Monitor or the Vendors or their agents, representatives, partners or employees, or any of the other parties participating in the sales process pursuant to these Bid Procedures, except as may otherwise be provided in a definitive purchase agreement with the Vendors. By submitting a bid, each Qualified Bidder shall be deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Vendors’ Assets prior to making its bid, that it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Vendors’ Assets in making its bid, and that it did not rely upon any written or oral statements, representations, warranties, or guarantees, express, implied, statutory or otherwise, regarding the Vendors’ Assets, the financial performance of the Vendors’ Assets or the physical condition or location of the Vendors’ Assets, or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in these Bidding Procedures or as set forth in a definitive purchase agreement with the Vendors.

Free of Any and All Liens

Except as otherwise provided in the Stalking Horse Bid or another Successful Bidder’s purchase agreement, and subject to any permitted encumbrances therein, all of the Vendors’ right, title and interest in and to the Vendors’ Assets shall be sold free and clear of all liens and encumbrances pursuant to the Approval and Vesting Order except for Permitted Encumbrances (as defined in the Stalking Horse Bid).

The Sale and Auction Process

If one or more Qualified Bids (other than that submitted by the Stalking Horse Bidder) have been received by the Monitor on or before the Bid Deadline, the Monitor shall advise all Qualified Bidders of the Lead Bid and invite all Qualified Bidders (including the Stalking Horse Bidder) to attend the Auction to be conducted by the Monitor in accordance with the **Auction Procedures** attached hereto as Appendix 1. The Auction may be conducted in person or by video conference.

If no Qualified Bid is submitted by the Bid Deadline, then the Stalking Horse Bid shall be the Successful Bid, and the Stalking Horse Bidder shall be the Successful Bidder and the Auction shall be cancelled.

Monitor and Special Committee to Determine Highest and/or Best Bid: The Monitor shall determine after each round of offers in the Auction, in its reasonable business judgment, the best bid and shall recommend this bid to the Special Committee as the Lead Bid. In making such determination, the Monitor and the Special Committee may consider, without limitation: (i) the amount and nature of the consideration; (ii) the proposed assumption of liabilities, if any, and the related implied impact on recoveries for creditors; (iii) the ability of the Qualified Bidder in question to close the proposed transaction; (iv) the proposed closing date and the likelihood, extent and impact of any potential delays in closing; (v) any purchase price adjustment; (vi) the net economic effect of any changes made to the Stalking Horse Bid; and (vii) such other considerations as the Monitor or the Special Committee deems relevant in its reasonable business judgment. At the end of each round of offers, the Monitor shall advise the Qualified Bidders of the material terms of the then highest and/or best bid, and the basis for calculating the total consideration offered in such offer. If at the end of any round of bidding a Qualified Bidder has elected not to submit a further bid meeting the criteria set out herein (including the Minimum Bid Increment), then such Qualified Bidder shall not be entitled to continue to participate in the next round of offers or in any subsequent round.

If only one Qualified Bid is submitted after a round of offers then that Qualified Bid shall be the Successful Bidder. The next highest offer, as determined by the Special Committee based on the Monitor's recommendation (the "**Back-up Bid**"), shall be required to keep its offer open and available for acceptance until the closing of the Court Approved Sale of the Vendors' Assets to the Successful Bidder.

Highest versus Best Offer

In determining the Lead Bid, the highest and/or best sale offer during each round of offers, and the Successful Bid, the Monitor and the Special Committee are not required to select the offer with the highest purchase price and may, exercising their reasonable business judgment, select another offer on the basis that it is the best offer even though not the highest purchase price. Without limiting the foregoing, the Monitor and the Special Committee may give such weight to the non-monetary considerations as it determines, exercising its reasonable business judgment,

is appropriate and reasonable, including those considerations described above under “Monitor and the Special Committee to Determine Highest and/or Best Bid”.

Expense Reimbursement

To provide an incentive and to compensate the Stalking Horse Bidder for performing the substantial due diligence and incurring the expenses necessary in entering into the Stalking Horse Bid with the knowledge and risk that arises from participating in the sale and subsequent bidding process, the Vendors have agreed to pay the Stalking Horse Bidder, under the conditions outlined herein and in the Stalking Horse Bid, an Expense Reimbursement on account of its reasonable and documented out of pocket fees and expenses, up to a maximum of \$100,000 inclusive of HST, in the event that the Stalking Horse Bidder is not the Successful Bidder.

The Expense Reimbursement is a material inducement for, and a condition of, the Stalking Horse Bidder’s entry into the Stalking Horse Bid. The Expense Reimbursement, if payable in accordance with the Stalking Horse Bid, shall be paid in accordance with the Stalking Horse Bid and the Sale Process Order.

Acceptance of Qualified Bids

The sale of the Vendors’ Assets to any Successful Bidder by the Vendors is expressly conditional upon the approval of the Successful Bid by the Court at the hearing of the Approval and Vesting Order Motion. The presentation of the Successful Bid to the Court for approval does not obligate the Vendors to close the transaction contemplated by such Successful Bid unless and until the Court approves the Successful Bid. The Vendors will be deemed to have accepted a bid only when the bid has been approved by the Court at the hearing on the Approval and Vesting Order Motion.

Approval and Vesting Order Motion Hearing

The Approval and Vesting Order Motion shall, subject to court availability, be made returnable on or before June 5, 2020 (or, if there is no Auction, on or before May 29, 2020). The Special Committee, with the consent of the Monitor, reserves its right to the extent consistent with the Stalking Horse Bid to change the date of the hearing of Approval and Vesting Order Motion in order to achieve the maximum value for the Vendors’ Assets.

Miscellaneous

The solicitation process and these Bidding Procedures are solely for the benefit of the Vendors and nothing contained in the Sale Process Order or these Bidding Procedures shall create any rights in any other person (including, without limitation, any bidder or Qualified Bidder, and any rights as third party beneficiaries or otherwise) other than the rights expressly granted to a Successful Bidder under the Sale Process Order. The bid protections incorporated in these Bidding Procedures are solely for the benefit of the Stalking Horse Bidder.

Except as provided in the Bidding Procedures Order and Bidding Procedures, the Court shall retain jurisdiction to hear and determine all matters arising from or relating to the implementation of the Sale Process Order, the Stalking Horse Process and the Bidding Procedure.

APPENDIX I

Auction Procedures

Auction

1. If the Special Committee, based on the recommendation of the Monitor, determines to conduct an Auction pursuant to the Stalking Horse Bid Procedures, the Monitor will notify the Qualified Bidders who made a Qualified Bid that an Auction will be conducted. The Auction will be convened by the Monitor and conducted either by video conference or in person at the Toronto office of Davies Ward Phillips & Vineberg LLP at 10:00 a.m. (Eastern Time) on May 22, 2020, or such other place and time as the Monitor may advise. Capitalized terms used but not defined have the meaning given to them in the Stalking Horse Bid Procedures. The Auction shall be conducted in accordance with the following procedures:
 - a) Participation at The Auction. Only a Qualified Bidder is eligible to participate in the Auction. The Monitor shall provide all Qualified Bidders with the amount of the Leading Bid by 5:00pm (Eastern Time) three (3) Days before the date scheduled for the Auction. Each Qualified Bidder must inform the Monitor whether it intends to participate in the Auction no later than 12:00 p.m. (Eastern Time) on the Business Day prior to the Auction. Only the authorized representatives of each of the Qualified Bidders, the Monitor, the Vendors and their respective counsel and other advisors shall be permitted to attend the Auction.
 - b) Bidding at the Auction. Bidding at the Auction shall be conducted in rounds. The Leading Bid shall constitute the "Opening Bid" for the first round and the highest Overbid (as defined below) at the end of each round shall constitute the "Opening Bid" for the following round. In each round, a Qualified Bidder may submit no more than one Overbid. Any Qualified Bidder who bids in a round (including the Qualified Bidder that submitted the Opening Bid for such round) shall be entitled to participate in the next round of bidding at the Auction.

- c) Monitor Shall Conduct the Auction. The Monitor and its advisors shall direct and preside over the Auction. At the start of each round of the Auction, the Monitor shall provide the terms of the Opening Bid to all participating Qualified Bidders at the Auction. The determination of which Qualified Bid constitutes the Opening Bid for each round shall take into account any factors that the Monitor and the Special Committee reasonably deem relevant to the value of the Qualified Bid, including, among other things, the following: (i) the amount and nature of the consideration; (ii) the proposed assumption of any liabilities and the related implied impact on recoveries for creditors; (iii) the Monitor's and the Special Committee's assessment of the certainty of the Qualified Bidder to close the proposed transaction on or before the Outside Date; (iv) the likelihood, extent and impact of any potential delays in closing; (v) the net economic effect of any changes from the Opening Bid of the previous round, and (vi) such other considerations as the Monitor or the Special Committee deems relevant in its reasonable business judgment (collectively, the "Bid Assessment Criteria"). All Bids made after the Opening Bid shall be Overbids, and shall be made and received on an open basis, and all material terms of the highest and best Overbid shall be fully disclosed to all other Qualified Bidders that are participating in the Auction. The Monitor shall maintain a record of the Opening Bid and all Overbids made and announced at the Auction.
- d) Terms of Overbids. An "Overbid" is any Bid made at the Auction subsequent to the Monitor's announcement of the Opening Bid. To submit an Overbid, in any round of the Auction, a Qualified Bidder must comply with the following conditions:
- (i) *Minimum Overbid Increment:* Any Overbid shall be made in minimum Cash Purchase Price increments of \$100,000 above the Opening Bid, or such increments as the Monitor, in consultation with the Special Committee, may determine in order to facilitate the Auction (the "Minimum Overbid Increment"). The amount of the cash purchase price consideration or value of any Overbid shall not be less than the cash purchase price consideration or value of the Opening Bid, plus the Minimum Overbid Increment(s) at that time, plus any additional Minimum Overbid Increments.
 - (ii) *The Bid Requirements same as for Qualified Bids:* Except as modified herein, an Overbid must comply with the Bid Requirements, provided, however, that the Bid Deadline shall not apply. Any Overbid made by a Qualified Bidder must provide that it remains irrevocable and binding on the Qualified Bidder and open for acceptance as a Back-Up Bid until the closing of the Successful Bid.
 - (iii) *Announcing Overbids:* At the end of each round of bidding, the Monitor shall announce the identity of the Qualified Bidder and the material terms

of the then highest and/or best Overbid, including the nature of the transaction, the assets proposed to be acquired and the obligations proposed to be assumed, the basis for calculating the total consideration offered in such Overbid based on, among other things, the Bid Assessment Criteria.

- (iv) *Consideration of Overbids:* The Monitor, in consultation with the Special Committee, reserves the right to make one or more adjournments in the Auction in durations set by the Monitor to, among other things: (A) allow individual Qualified Bidders to consider how they wish to proceed; (B) consider and determine the current highest and/or best Overbid at any given time during the Auction; and, (C) give Qualified Bidders the opportunity to provide the Monitor or the Special Committee with such additional evidence as it may require that the Qualified Bidder has obtained all required internal corporate approvals, has sufficient internal resources, or has received sufficient non-contingent debt and/or equity funding commitments, to consummate the proposed transaction at the prevailing Overbid amount. The Monitor may have clarifying discussions with a Qualified Bidder, and the Monitor may allow a Qualified Bidder to make technical clarifying changes to its Overbid following such discussions. BIDDERS MUST OBTAIN ALL NECESSARY APPROVALS AND FUNDING COMMITMENTS IN ADVANCE OF THE AUCTION.
 - (v) *Failure to Bid:* If at the end of any round of bidding a Qualified Bidder (other than the Qualified Bidder that submitted the then highest and/or best Overbid or Opening Bid, as applicable) fails to submit an Overbid, then such Qualified Bidder shall not be entitled to continue to participate in the next round of the Auction.
- e) Additional Procedures. The Monitor, in consultation with the Special Committee, may adopt rules for the Auction at or prior to the Auction that will better promote the goals of the Auction, including rules pertaining to the structure of the Auction, the order of bidding provided they are not inconsistent with any of the provisions of the Stalking Horse Bid Procedures and provided further that no such rules may change the requirement that all material terms of the then highest and/or best Overbid at the end of each round of bidding will be fully disclosed to all other Qualified Bidders.
- f) Closing the Auction. The Auction shall be closed after the Special Committee, after considering the Monitor's recommendation has: (i) reviewed the final Overbid of each Qualified Bidder on the basis of financial and contractual terms and the factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the proposed sale; and (ii) identified the Successful Bid

and the Back-Up Bid and the Monitor has advised the Qualified Bidders participating in the Auction of such determination

- g) Finalizing Documentation. Promptly following a Bid of a Qualified Bidder being declared the Successful Bid or the Back-Up Bid, the Qualified Bidder shall execute and deliver such revised and updated definitive transaction agreements as may be required to reflect and evidence the Successful Bid or Back-Up Bid. For greater certainty, every Bid made at Auction is deemed to be a signed and binding bid based on the bidder's original Qualified Bid.

Schedule D- Permitted Encumbrances

N/A

Schedule E- Form of Approval and Vesting Order

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE) WEEKDAY, THE #
)
JUSTICE) DAY OF MONTH, 2020
)

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

**AND IN THE MATTER OF JAMES E. WAGNER CULTIVATION CORPORATION,
JAMES E. WAGNER CULTIVATION LTD., JWC 1 LTD., JWC 2 LTD., JWC SUPPLY LTD.
AND GROWTHSTORM INC.**

APPROVAL AND VESTING ORDER

THIS MOTION, made by James E. Wagner Cultivation Corporation, James E. Wagner Cultivation Ltd., JWC 1 Ltd., JWC 2 Ltd., JWC Supply Ltd. and GrowthStorm Inc. (collectively,

the “**Vendors**”) for an order approving the sale transaction (the “**Transaction**”) contemplated by an agreement of purchase and sale (the “**Sale Agreement**”) between the Vendors and Trichome Financial Corp. (the “**Purchaser**”) dated ■ and vesting in the Purchaser all of the Vendors’ right, title and interest in and to the assets described in the Sale Agreement (the “**Purchased Assets**”), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the motion record of the Vendors, ■ Report of KSV Kofman Inc. in its capacity as Monitor (the “**Monitor**”) and on hearing the submissions of counsel for the Vendors, the Monitor and the Purchaser, no one appearing for any other person on the service list, although properly served as appears from the affidavit of [NAME] sworn [DATE] filed:

1. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved, and the execution of the Sale Agreement by the Vendors and the Purchaser is hereby authorized and approved, with such minor amendments as the Vendors and the Purchaser, with the approval of the Monitor, may agree upon. The Vendors and the Monitor are hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

2. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Monitor’s certificate to the Purchaser substantially in the form attached as Schedule A hereto (the “**Monitor’s Certificate**”), all of the Vendors’ right, title and interest in and to the Purchased Assets described in the Sale Agreement shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the “**Claims**”) including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable ■ dated ■, 2020 and the Order of the Honourable Justice ■ dated ■, 2020; and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system (all of which are collectively referred to as the “**Encumbrances**”

and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

3. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Monitor's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

4. **THIS COURT ORDERS AND DIRECTS** the Monitor to file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof.

5. **THIS COURT ORDERS** that the Monitor may rely on written notice from the Vendors and the Purchaser regarding fulfillment of conditions to closing under the Sale Agreement and shall incur no liability with respect to the delivery of the Monitor's Certificate.

6. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Vendors and the Monitor are authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the Vendor's records pertaining to the Vendors' past and current employees. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Vendors.

7. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") in respect of any Vendor and any bankruptcy order issued pursuant to any such applications or otherwise; and

- (c) any assignment in bankruptcy made in respect of any Vendor;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of any Vendor and shall not be void or voidable by creditors of the Vendors, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

8. **THIS COURT ORDERS** that for a period of not less than two years from the Closing Date, the Purchaser shall provide the Monitor and any trustee in bankruptcy of any Vendor with access to the books and records of the Vendor in the possession of the Purchaser during normal business hours upon request, and shall not thereafter alter or destroy such books and records without providing the Monitor or and any trustee in bankruptcy of any Vendor with 30 days prior written notice.

9. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Vendors and the Monitor and their agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Vendors and the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Vendors and the Monitor and their agents in carrying out the terms of this Order.

Schedule A - Form of Monitor's Certificate

Court File No. _____

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

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

**AND IN THE MATTER OF JAMES E. WAGNER CULTIVATION CORPORATION, JAMES
E. WAGNER CULTIVATION LTD., JWC 1 LTD., JWC 2 LTD., JWC SUPPLY LTD. AND
GROWTHSTORM INC.**

MONITOR'S CERTIFICATE

RECITALS

- A. James E. Wagner Cultivation Corporation, James E. Wagner Cultivation Ltd., JWC 1 Ltd., JWC 2 Ltd., JWC Supply Ltd. and GrowthStorm Inc. (collectively, the "**Vendors**") commenced these proceedings under the *Companies' Creditors Arrangement Act* on ■, 2020 (the "**CCAA Proceedings**");
- B. KSV Kofman Inc. was appointed as Monitor (the "**Monitor**") in the CCAA Proceedings;
- C. Pursuant to an Order of the Court dated ■ (the "**Approval and Vesting Order**"), the Court approved the agreement of purchase and sale made as of ■ (the "**Sale Agreement**") between the Vendors and Trichome Financial Corp. (the "**Purchaser**") and provided for the vesting in the Purchaser of the Vendors' right, title and interest in and to 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 Article 7 of the Sale Agreement have been satisfied or waived by the Vendors and the Purchaser (as applicable); and (iii) the Transaction has been completed to the satisfaction of the Monitor.

D. Pursuant to the Approval and Vesting Order, the Monitor may rely on written notice from the Vendors and the Purchaser regarding fulfillment of conditions to closing under the Sale Agreement.

E. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE MONITOR CERTIFIES the following:

1. The Vendors and the Purchaser have each delivered written notice to the Monitor that all applicable conditions under the Sale Agreement have been satisfied and/or waived, as applicable;
2. The Monitor has received the Closing Cash Payment; and
3. The Transaction has been completed to the satisfaction of the Monitor.
4. This Certificate was delivered by the Monitor at _____ [TIME] on _____ [DATE].

**KSV Kofman Inc., in its capacity as
Monitor of James E. Wagner Cultivation
Corporation, James E. Wagner Cultivation
Ltd., JWC 1 Ltd., JWC 2 Ltd., JWC Supply
Ltd. and GrowthStorm Inc. , and not in its
personal capacity**

Per: _____

Name:

Title:

Schedule F- Purchase Price Allocation

To be determined

Appendix “G”



**Report of
KSV Kofman Inc.
as Proposed CCAA Monitor of
James E. Wagner Cultivation
Corporation, James E. Wagner
Cultivation Ltd., JWC 1 Ltd., JWC 2
Ltd., JWC Supply Ltd. and
GrowthStorm Inc.**

March 31, 2020

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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 JAMES E. WAGNER CULTIVATION CORPORATION, JAMES E.
WAGNER CULTIVATION LTD., JWC 1 LTD., JWC 2 LTD., JWC SUPPLY
LTD. AND GROWTHSTORM INC.**

REPORT OF KSV KOFMAN INC. AS PROPOSED MONITOR

March 31, 2020

1.0 Introduction

1. KSV Kofman Inc. ("KSV") understands that James E. Wagner Cultivation Corporation ("JWC"), James E. Wagner Cultivation Ltd. ("JWCL"), JWC 1 Ltd. ("JWC1"), JWC 2 Ltd. ("JWC2"), JWC Supply Ltd. ("JWCS") and GrowthStorm Inc. ("GrowthStorm") (collectively the "Applicants" and each an "Applicant") intend to make an application to the Ontario Superior Court of Justice (Commercial List) (the "Court") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), for an initial order (the "Initial Order") granting the Applicants protection under the CCAA and appointing KSV as the CCAA monitor in these proceedings ("Monitor").
2. The principal purpose of these restructuring proceedings is to create a stabilized environment to enable the Applicants to pursue a restructuring of their business by conducting a "stalking horse" sale and investor solicitation process (the "SISP") while continuing operations in the ordinary course of business.
3. If the Initial Order is granted, the Applicants intend to return to Court within ten days (the "Comeback Motion") to seek the Court's approval of an amended and restated Initial Order which, *inter alia*, would:
 - a) approve the SISP;
 - b) increase the amount of each of the D&O Charge and Interim DIP Charge (each as defined below);

- c) extend the stay of proceedings; and
 - d) appoint a chief restructuring officer.
4. The Affidavit of Nathan Woodworth, the Applicants' President and Chief Executive Officer, sworn March 31, 2020 in support of the CCAA application (the "Affidavit"), provides, *inter alia*, the Applicants' background, including the reasons for the commencement of these proceedings.
 5. KSV is filing this report ("Report") as proposed Monitor.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide KSV's qualifications to act as Monitor;
 - b) provide background information about the Applicants;
 - c) report on the Applicants' cash flow projection for the period March 28, 2020 to June 26, 2020 (the "Cash Flow Forecast");
 - d) summarize the terms of a debtor-in-possession loan facility (the "DIP Facility") in the maximum principal amount of \$4 million to be made available to the Applicants by Trichome Financial Corp. ("TFC"), pursuant to a term sheet dated March 31, 2020 (the "DIP Term Sheet");
 - e) discuss the rationale for:
 - a charge in the amount of \$500,000 on all of the Applicants' current and future assets, property and undertaking (the "Property") to secure the fees and disbursements of the Applicants' corporate and restructuring counsel, as well as the fees and disbursements of the Monitor and its counsel (the "Administration Charge");
 - a charge in the amount of \$450,000 on the Property in favour of the directors and officers of the Applicants (the "D&O Charge");
 - a charge up to the maximum amount of \$800,000 on the Property in favour of TFC to secure advances to the Applicants made under the DIP Facility prior to the Comeback Motion (the "Interim DIP Charge");
 - the proposed priority in the Initial Order of the Administration Charge, D&O Charge and the Interim DIP Charge; and
 - f) recommend that this Court grant the relief sought by the Applicants in its CCAA application materials.

1.2 Restrictions

1. In preparing this Report, KSV has relied upon the unaudited financial information of the Applicants, the books and records of the Applicants and discussions with the Applicants, the Applicants' counsel and TFC.
2. KSV has not audited, or otherwise attempted to verify, the accuracy or completeness of the financial information relied on to prepare this Report in a manner that complies with Canadian Auditing Standards ("CAS") pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, KSV expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own diligence.
3. An examination of the Cash Flow Forecast as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based upon the Applicants' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. KSV expresses no opinion or other form of assurance on whether the Cash Flow Forecast will be achieved.

1.3 Currency

1. Unless otherwise noted, all currency references in this Report are in Canadian dollars.

1.4 KSV's Qualifications to Act as Monitor

1. KSV is a licensed trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) ("BIA"). KSV is not subject to any of the restrictions to act as monitor set out in Section 11.7(2) of the CCAA on who may be appointed monitor.
2. KSV has consented to act as Monitor in these proceedings should the Court grant the Initial Order. A copy of KSV's consent to act as Monitor is attached as Appendix "A".
3. KSV has been involved with this situation for the last several weeks and during that time has obtained an understanding of the Applicants' financial and operational challenges. This knowledge will assist KSV to fulfil its duties as Monitor.

2.0 Company Background

1. JWC's principal business is the production and sale of cannabis through its wholly-owned subsidiary and licence holder, JWCL. KSV understands that the other Applicants, JWC1, JWC2, JWCS and GrowthStorm, do not presently, and have never, conducted active business operations. The corporate chart for the Applicants is provided in Appendix "B".
2. The common shares of JWC are listed on the Toronto Stock Venture Exchange and the OTCQX.

3. The Applicants' operations are based in Kitchener, Ontario. JWC currently leases three premises as follows: manufacturing facilities located at 855 Trillium Drive, Unit B, Kitchener, Ontario ("Trillium Facility") and 530 Manitou Drive, Kitchener Ontario ("Manitou Facility") and office space located at 860 Trillium Drive, Kitchener, Ontario.
4. JWCL currently holds the following cannabis licenses:
 - a) a license which permits JWCL to cultivate, process and sell cannabis for the medical and recreational/adult-use markets and to sell all of the authorized classes of cannabis to provincially/territorially authorized distributors/retailers and directly to consumers with medical documents, which includes cannabis plant seeds, cannabis plants, dried cannabis, fresh cannabis, edible cannabis, cannabis topicals, cannabis extracts and cannabis oil; and
 - b) a license which permits JWCL to cultivate cannabis and sell plant seeds and cannabis plants to provincially/territorially authorized distributors/retailers.
5. The Applicants presently have 160 employees. The employees are not unionized and the Applicants do not maintain a pension plan.

3.0 Creditors

3.1 Secured Creditors

3.1.1 TFC

1. TFC is a secured lender to the Applicants through a loan agreement dated February 9, 2019 which was amended and restated on November 6, 2019 (as amended by amendments dated January 9, 2020, February 19, 2020 and March 10, 2020) (collectively, the "Loan Agreement"). The current amount outstanding under the Loan Agreement is approximately \$7.6 million. Interest and costs continue to accrue.
2. TFC and JWC also entered into an accounts receivable purchase agreement on October 23, 2019, whereby JWC may elect to finance certain qualified receivables, in TFC's discretion (the "Factoring Agreement"). No amounts are currently outstanding under the Factoring Agreement.
3. Each of the Applicants, other than JWC, have guaranteed JWC's obligations under the Loan Agreement and the Factoring Agreement. The obligations of the Applicants owing to TFC are secured pursuant to a series of security documents (the "Security Documents").
4. Davies has reviewed the Security Documents and will issue an opinion, subject to the standard qualifications and assumptions, confirming that TFC has a validly perfected security interest.

3.1.2 Lind Global Macro Fund

1. On December 29, 2019, JWC entered into a convertible security funding agreement with Lind Global Macro Fund ("Lind") and borrowed approximately \$2 million.

2. On March 10, 2020, JWC entered into a second convertible security funding agreement with Lind and borrowed approximately \$1.2 million.
3. The current amount owing to Lind under these agreements is approximately \$3.8 million and is secured by JWC, JWCL and Growthstorm. Interest and costs continue to accrue.

3.2 Unsecured Creditors

1. Based on the Applicants' books and records, as of March 29, 2020, unsecured obligations totalled approximately \$5.4 million. The principal unsecured obligation is an unsecured loan from Ball Construction Ltd., an entity affiliated with Lind, in the amount of approximately \$3.7 million, which funds were used to advance construction in the Manitou Facility. The Applicants also have deferred rent owing to the landlord in respect of the Manitou Facility for February and March 2020 in the amount of approximately \$400,000.
2. JWC is also subject to a royalty agreement with Canopy Rivers Corporation, pursuant to which JWC has agreed to pay Canopy \$0.375 per gram of cannabis produced at the Trillium Facility. The royalty agreement provides for a minimum aggregate annual royalty payment of \$487,500 per year.
3. Further information concerning the Applicants' liabilities is provided in the Affidavit.

4.0 Cash Flow Forecast

1. The Applicants have prepared the Cash Flow Forecast for the period March 28, 2020 to June 26, 2020 (the "Period"). The Cash Flow Forecast and the Applicants' statutory report on the cash flow pursuant to Section 10(2)(b) of the CCAA is attached as Appendix "C".
2. The Cash Flow Forecast reflects that the Applicants require funding of approximately \$800,000 prior to the Comeback Motion, as reflected in the table below.

(unaudited; \$000s)	Apr 1 – Apr 10
Receipts	34
Disbursements	
Payroll ¹	408
Rent	238
Other	214
TFC	-
Professional fees	-
	860
Net Cash Flow	(826)
Opening Cash Balance	44
Net Cash Flow	(826)
Required DIP	782

¹ Including benefit payments.

3. Based on KSV's review of the Cash Flow Forecast, the cash flow assumptions appear reasonable. KSV's statutory report on the Cash Flow Forecast is attached as Appendix "D".
4. The current balance in the Applicants' bank account is approximately \$44,000. In order to provide the Applicants with the liquidity required to fund the operations of the Applicants during the CCAA proceedings, the Applicants are seeking the approval of the DIP Term Sheet, provided that until the Comeback Motion, the Applicants will be permitted to draw no more than \$800,000 to fund the expenditures noted in the table above. The amounts are contemplated to be funded under the Interim DIP Charge.
5. The DIP Term Sheet contemplates the payment of certain fees to the DIP Lender, including an upfront fee of \$120,000. These fees will not be paid prior to the Comeback Motion and are subject to approval of the balance of the DIP Term Sheet at that motion.

5.0 DIP Facility²

1. The significant terms of the DIP Facility are summarized below. A copy of the DIP Term Sheet is attached to the Affidavit.
 - a) Borrower: JWC;
 - b) Lender: TFC;
 - c) Loan Amount: up to a maximum of \$4 million;
 - d) Guarantors: JWCL, JWC1, JWC2, JWCS and GrowthStorm;
 - e) Maturity date: the earlier of: (i) the occurrence of any Event of Default that has not been cured; (ii) the implementation of a Plan which has been approved by the requisite majorities of the Applicants' creditors and by an order entered by the Court; (iii) the closing of a sale for the Applicants' assets within the CCAA Proceedings which has been approved by orders entered by the Court; (iv) the conversion of the CCAA Proceedings into a proceeding under the BIA; and (v) June 30, 2020;
 - f) Interest rate: 10% per annum;
 - g) Upfront Fee: an upfront fee equal to 3% of the maximum loan amount, being \$120,000. As noted, the Upfront Fee is subject to approval of the DIP Facility at the Comeback Motion;
 - h) DIP Charge: the obligations of the Applicants under the DIP Facility are to be secured by the DIP Charge;
 - i) Reporting: reporting obligations include the provision of weekly "rolling" cash flow projections and a weekly budget-to-actual variance analysis, as more fully described in the DIP Term Sheet;

² Terms not defined in this section have the meaning provided to them in the DIP Term Sheet.

- j) Conditions: key conditions include:
- i. the Court shall have issued an order, *inter alia*, approving the DIP Facility and the DIP Charge on or before April 1, 2020;
 - ii. TFC shall have received a list of the key individuals designated by the Applicants' pursuant to the Cannabis Act;
 - iii. TFC shall be satisfied that the Applicants have complied with and are continuing to comply in all material respects with all Licenses, other than as may be permitted under an Order or as to which any enforcement in respect of non-compliance is stayed by an Order, provided the issuance of such Court Order does not result in the occurrence of an Event of Default;
 - iv. No Material Adverse Change shall have occurred after the date of the issuance of the DIP Order;

In addition to the conditions above, the following conditions are not required for the initial advance, but are required to be satisfied following the initial advance:

- i. the Court shall have approved the engagement of Howard Steinberg as chief restructuring officer and the terms of the approval shall be satisfactory to TFC;
 - ii. A KERP acceptable to TFC, acting reasonably, shall have been approved by the Court within 10 days of the DIP Order or such other date as the Interim Lender may agree;
 - iii. the Upfront Fee will have been paid;
 - iv. a SISP acceptable to TFC, acting reasonably, shall have been approved by the Court; and
 - v. the Comeback Motion with the Court shall have occurred not more than 10 days after the issuance of the initial order by the Court.
- k) Events of Default: the following is a summary of the material Events of Default:
- i. the issuance of an Order:
 - dismissing the CCAA Proceedings, or lifting the stay in the CCAA Proceedings to permit: (A) the enforcement of any Lien against one of the Applicants, or a material portion of their respective Property; or (B) the appointment of a receiver and manager, receiver, interim receiver or similar official, or substituting the Monitor or enhancing any monitor's powers, or the making of a bankruptcy order against an Applicant;
 - granting any Lien which is senior to or *pari passu* with the DIP Charge, other than the Priority Charges; and

- staying, reversing, vacating or otherwise modifying any DIP Term Sheet or any order in a manner materially adverse to the interests of TFC, as determined by TFC;
- ii. failure of any of the Applicants to comply with any of the negative covenants in the DIP Term Sheet;
- iii. any update in the Revised Budget or Budget Variance Report that: (i) contemplates or forecasts an adverse change or changes from the then-existing Agreed Budget or contemplates a cash flow deficit in excess of \$100,000;
- iv. the occurrence of a Material Adverse Change;
- v. any material violation or breach of any Order;
- vi. the failure of any Applicants to maintain in good standing each of the Licenses;
- vii. the failure of any Applicants to continue to employ the Key Individuals identified as of the date of the DIP Order on terms sufficient to maintain the Licenses in good standing;
- viii. failure of JWC to pay any principal amount owing under the DIP Term Sheet when due; and
- ix. failure of any of the Applicants to perform or comply with any other term or covenant under this DIP Term Sheet, and such default shall continue unremedied for a period of three Business Days; and
- x. the SISF is not approved by the Court on or before 10 days from the issuance of the Initial Order.

5.1 Recommendation

1. KSV considered the following factors when reviewing the reasonableness of the DIP Facility, as well as those set out in Section 11.2 of the CCAA:
 - a) the Applicants have a critical and immediate need for interim financing. Without access to the DIP Facility, the Applicants will be unable to maintain their operations and commence their restructuring process. The Interim DIP Charge will allow the Applicants to continue to operate, including funding payroll, which is due on April 1, 2020;
 - b) the Applicants are seeking an Interim DIP Charge of \$800,000 to make critical payments until the Comeback Motion. The Applicants will be seeking to increase the DIP Charge to \$4 million at the Comeback Motion. The fees payable under the DIP Term Sheet, including the Upfront Fee, are subject to approval of the balance of the DIP Term Sheet at the Comeback Motion;

- c) KSV compared the terms of the DIP Facility to other DIP facilities approved by Canadian courts in CCAA proceedings commenced between 2018 to 2020. The comparison is attached as Appendix “E”. Based on KSV’s analysis, the cost of the proposed DIP Facility is well within the ranges of similar facilities approved by the Court and other Canadian courts in CCAA and other restructuring proceedings; and
 - d) KSV believes that approval of the DIP Facility is in the best interests of the Applicants’ stakeholders and will advance the Applicants’ restructuring process. KSV does not believe that creditors will be prejudiced as a result of the approval of the DIP Facility – to the contrary, they will benefit from it as it will allow the business to continue to operate, which will enhance value versus the alternative, which is the discontinuation of operations and the potential liquidation of its assets.
2. Based on the foregoing, KSV believes that the terms of the DIP Facility are reasonable in the circumstances.

6.0 Court Ordered Charges

6.1 Administration Charge

1. The Applicants are seeking an Administration Charge in an amount not to exceed \$500,000 to secure the fees and expenses of the Monitor, its counsel and the Applicants’ insolvency counsel and corporate counsel.
2. The Administration Charge is a customary provision in an Initial Order in a CCAA proceeding - it is required by certain of the professionals engaged to assist a debtor company and to protect them in the event that the debtor is unable to pay professional fees and costs during the CCAA process.
3. The Applicants worked with KSV to estimate the proposed amount of the Administration Charge.
4. KSV believes that the Administration Charge is reasonable and appropriate in the circumstances given the complexities of the Applicants’ proceedings and the services to be provided by professionals involved in these proceedings. Additionally, based on the Applicants’ illiquidity, each of the professionals having the benefit of the Administration Charge has been providing services without receiving retainers.

6.2 D&O Charge

1. KSV understands that the Applicants are current on their normal course payroll obligations (including withholding taxes) and sales taxes. KSV also understands that the Applicants’ vacation pay liability totals approximately \$110,000.

2. The Cash Flow Forecast contemplates payroll and sales taxes will continue to be paid in the ordinary course and the Applicants are projected to have sufficient liquidity to do so provided the Interim DIP Charge is approved at the Initial Application and the balance of the facility is approved at the Comeback Motion. The proposed D&O Charge provides protection for the directors and officers should the Applicants fail to pay certain obligations which may give rise to liability for directors and officers, including vacation pay.
3. The directors and officers shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy or to the extent such coverage is insufficient to pay an indemnified amount as described above.
4. As provided in the table below, the amount of the D&O Charge was estimated by the Applicants in consultation with the proposed monitor, taking into consideration payroll obligations, sales tax obligations and the Applicants' vacation pay liability:

(unaudited)	Amount (\$)
Payroll, including source deductions	270,000
Vacation Pay	110,000
Sales tax	50,000
Other	20,000
Total	450,000

5. KSV is of the view that the D&O Charge is required and reasonable in the circumstances and that the continued involvement of the directors and officers is beneficial to the Applicants and these proceedings.

6.3 Interim DIP Charge

1. The Applicants are seeking a charge for TFC to secure the Interim DIP Charge. KSV is of the view that the Interim DIP Charge is required as: (i) the Applicants are in immediate need of liquidity, including to fund payroll; (ii) the terms of the DIP Facility are reasonable for the reasons set out in Section 5.1 of this Report; and (iii) TFC is not prepared to provide financing without the benefit of the Interim DIP Charge.

6.4 Priority of Charges

1. The Applicants propose the Court-ordered charges have the following priority:
 - a) First, the Administration Charge;
 - b) Second, the D&O Charge; and
 - c) Third, the Interim DIP Charge.

7.0 Creditor Notification

1. The proposed Initial Order requires the Monitor to:
 - a) publish without delay a notice in the national edition of *The Globe and Mail* newspaper containing the information prescribed under the CCAA; and
 - b) within five days of the issuance of the Initial Order to:
 - i. make the Initial Order publicly available in the manner prescribed under the CCAA;
 - ii. send, in the prescribed manner, a notice to every known creditor who has a claim against the Company of more than \$1,000 advising that the order is publicly available; and
 - iii. prepare a list, showing the names and addresses of those creditors (other than employees), and the estimated amounts of those claims, and make it publicly available in the prescribed manner.
2. If appointed Monitor, KSV will also post the Initial Order and all motion materials on its website in accordance with the *E-Service Protocol*.

8.0 SISP

1. The Applicants, TFC and KSV are in the process of developing the SISP. Court approval of the SISP is expected to be sought at the Comeback Motion.
2. It is contemplated that the SISP will include a “stalking horse” bid from TFC. The stalking horse bid will assist to provide certainty to stakeholders that the Applicants’ operating business will continue on a going-concern basis.
3. The SISP will be addressed in the Court materials to be filed in the context of the SISP approval motion, including a report from the Monitor.

9.0 Conclusion and Recommendation

1. Based on the foregoing, KSV respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1 (1)(f) of this Report.

* * *

All of which is respectfully submitted,



KSV KOFMAN INC.

**IN ITS CAPACITY AS PROPOSED MONITOR OF
JAMES E. WAGNER CULTIVATION CORPORATION, JAMES E. WAGNER CULTIVATION
LTD., JWC 1 LTD., JWC 2 LTD., JWC SUPPLY LTD. AND GROWTHSTORM INC.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

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 JAMES E. WAGNER CULTIVATION
CORPORATION, JAMES E. WAGNER CULTIVATION LTD.,
JWC 1 LTD., JWC 2 LTD., JWC SUPPLY LTD. AND
GROWTHSTORM INC.

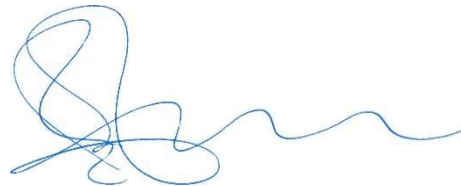
(collectively, the "**Applicants**" and each an "**Applicant**")

CONSENT TO ACT AS MONITOR

KSV KOFMAN INC. hereby consents to act as Monitor of the Applicants under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, in respect of these proceedings, if so appointed by the court.

Dated at Toronto, Ontario this 31st day of March, 2020.

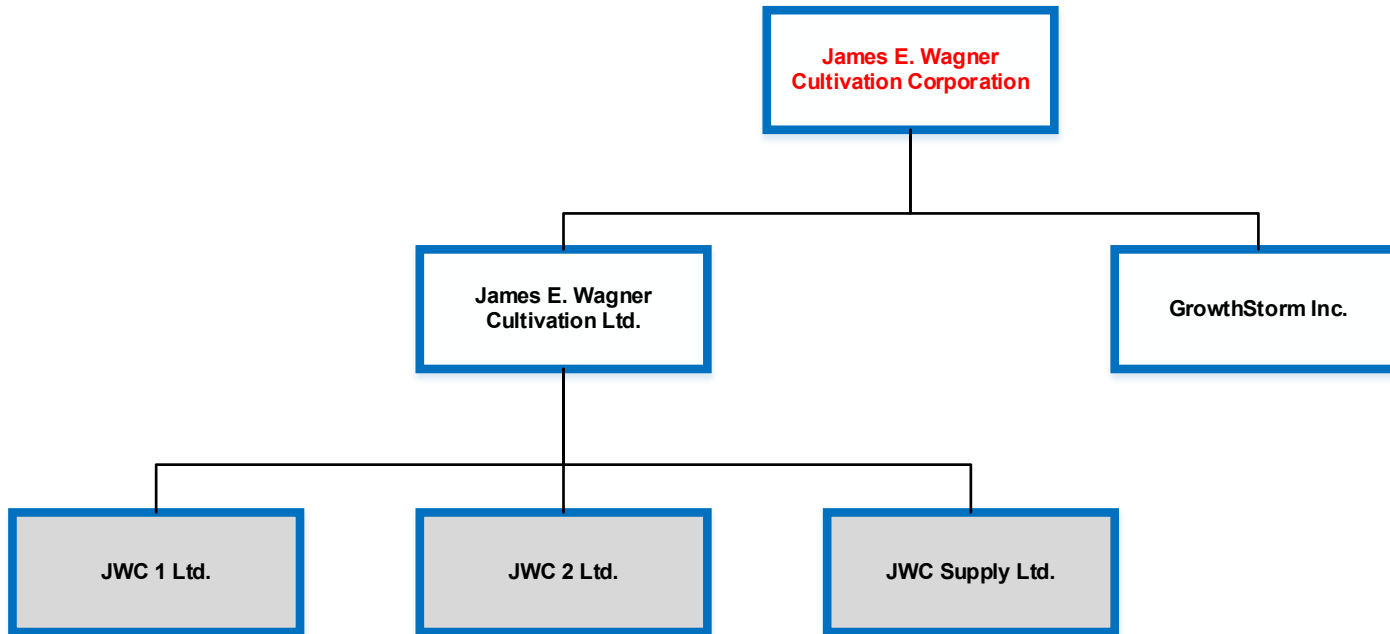
KSV KOFMAN INC.



By: Robert Kofman, President

Appendix “B”

James E. Wagner Cultivation Corporation Organizational Structure



Appendix “C”

James E. Wagner Cultivation Corporation, James E. Wagner Cultivation Ltd., JWC 1 Ltd., JWC 2 Ltd., JWC Supply Ltd. And Growthstorm Inc.

Projected Statement of Cash Flow

For the Period Ending June 26, 2020

(Unaudited; \$C)

Notes	Weeks Ending													Total	
	03-Apr-20	10-Apr-20	17-Apr-20	24-Apr-20	01-May-20	08-May-20	15-May-20	22-May-20	29-May-20	05-Jun-20	12-Jun-20	19-Jun-20	26-Jun-20		
1															
<i>Receipts</i>															
Cannabis Sales	2	17,250	17,250	17,250	17,250	17,250	17,250	89,750	455,744	17,250	220,875	544,750	17,250	371,000	1,820,119
<i>Disbursements</i>															
Operating Costs	3	467,097	-	590,370	5,000	307,032	95,000	252,032	68,171	397,032	5,000	263,457	95,000	370,203	2,915,396
Occupancy Costs	4	388,398	-	-	-	238,398	-	-	30,000	-	456,053	-	-	30,000	1,142,849
Excise Taxes	5	4,000	-	-	-	167,000	-	-	-	160,500	-	-	-	-	331,500
<i>Total Operating Disbursements</i>		859,495	-	590,370	5,000	712,430	95,000	252,032	98,171	557,532	461,053	263,457	95,000	400,203	4,389,745
<i>Net Cash Flow Before the Underrated</i>		(842,245)	17,250	(573,120)	12,250	(695,180)	(77,750)	(162,282)	357,573	(540,282)	(240,178)	281,293	(77,750)	(29,203)	(2,569,626)
Restructuring Costs	6	-	-	563,000	-	-	-	348,000	-	-	-	348,000	-	-	1,259,000
DIP Interest and Fees	7	-	-	165,465	-	-	-	19,382	-	-	-	26,475	-	-	211,321
<i>Net Cash Flow</i>		(842,245)	17,250	(1,301,584)	12,250	(695,180)	(77,750)	(529,664)	357,573	(540,282)	(240,178)	(93,182)	(77,750)	(29,203)	(4,039,948)
Opening Cash Balance		44,000	-	17,250	-	12,250	-	-	-	357,573	-	-	-	-	44,000
DIP Financing	8	798,245	-	1,284,334	-	682,930	77,750	529,664	-	182,709	240,178	93,182	77,750	29,203	3,995,948
Closing Cash Balance		-	17,250	-	12,250	-	-	-	357,573	-	-	-	-	-	-
DIP Loan Balance		798,245	798,245	2,082,580	2,082,580	2,765,510	2,843,260	3,372,925	3,372,925	3,555,634	3,795,812	3,888,994	3,966,744	3,995,948	3,995,948

James E. Wagner Cultivation Corporation, James E. Wagner Cultivation Ltd., JWC 1 Ltd., JWC 2 Ltd., JWC Supply Ltd. And Growthstorm Inc.

Notes to Projected Statement of Cash Flow

For the Period Ending June 26, 2020

(Unaudited; \$C)

Purpose and General Assumptions

1. The purpose of the projection is to present a cash flow forecast of the Applicants for the period March 28, 2020 to June 26, 2020 (the "Period") in respect of their proceedings under the Companies' Creditors Arrangement Act ("CCAA"). The cash flow forecast assumes that the Applicants file for protection under the CCAA on April 1, 2020.

The cash flow projection has been prepared based on hypothetical and most probable assumptions.

Hypothetical Assumptions

- 2 Represents sales of cannabis to provincial, wholesale and medical customers.

Probable Assumptions

3. Operating costs include payroll and production costs.
4. Occupancy costs include rent and utilities.
5. Excise tax is paid one month in arrears.
6. Includes the estimated payments to the Chief Restructuring Officer, the Monitor, its counsel and the Applicants' corporate and insolvency counsel.
7. Represents interest and fees payable on the debtor-in-possession ("DIP") facility.
8. Represents projected DIP funding to be provided by Trichome Financial Corporation pursuant to the terms of the DIP Term Sheet.

**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
JAMES E. WAGNER CULTIVATION CORPORATION, JAMES E. WAGNER CULTIVATION
LTD., JWC 1 LTD., JWC 2 LTD., JWC SUPPLY LTD. AND GROWTHSTORM INC.**

**MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)**

The management of James E. Wagner Cultivation Corporation, James E. Wagner Cultivation Ltd., JWC 1 Ltd., JWC 2 Ltd., JWC Supply Ltd. and Growthstorm Inc. (collectively, the "Applicants") have developed the assumptions and prepared the attached statement of projected cash flow as of the 31st day of March, 2020 for the period March 28, 2020 to June 26, 2020 ("Cash Flow"). All such assumptions are disclosed in the notes to the Cash Flow.

The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow as described in Note 1 to the Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Applicants and provide a reasonable basis for the Cash Flow.

Since the Cash Flow is based on assumptions regarding future events, actual events will vary from the information presented and the variations may be material.

The Cash Flow has been prepared solely for the purpose outlined in Note 1 using a set of hypothetical and probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated at Toronto, Ontario this 31st day of March, 2020.

James E. Wagner Cultivation Corporation, James E. Wagner Cultivation Ltd., JWC 1 Ltd., JWC 2 Ltd., JWC Supply Ltd. and Growthstorm Inc.



Nathan Woodworth, Chief Executive Officer

Appendix “D”

**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
JAMES E. WAGNER CULTIVATION CORPORATION, JAMES E. WAGNER CULTIVATION
LTD., JWC 1 LTD., JWC 2 LTD., JWC SUPPLY LTD. AND GROWTHSTORM INC.**

**MONITOR'S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)**

The attached statement of projected cash-flow of James E. Wagner Cultivation Corporation, James E. Wagner Cultivation Ltd., JWC 1 Ltd., JWC 2 Ltd., JWC Supply Ltd. and Growthstorm Inc. (collectively, the "Applicants"), as of the 31st day March, 2020, consisting of a weekly projected cash flow statement for the period March 28, 2020 to June 26, 2020 ("Cash Flow") has been prepared by the management of the Applicants for the purpose described in Note 1, using the probable and hypothetical assumptions set out in the notes to the Cash Flow.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by the management and employees of the Applicants. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow;
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow, given the hypothetical assumptions; or
- c) the Cash Flow does not reflect the probable and hypothetical assumptions.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report or relied upon in preparing this report.

The Cash Flow has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, Ontario this 31st day of March, 2020.

KSV Kofman Inc

**KSV KOFMAN INC.
IN ITS CAPACITY AS PROPOSED CCAA MONITOR OF
JAMES E. WAGNER CULTIVATION CORPORATION,
JAMES E. WAGNER CULTIVATION LTD., JWC 1 LTD.,
JWC 2 LTD., JWC SUPPLY LTD. AND GROWTHSTORM INC.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “E”

Schedule of Debtor-in-Possession Financing Terms

January 1, 2018 to March 16, 2020

(\$, 000)

Debtor	Lender	Proceeding Type	Trustee	Filing Date	Jurisdiction	Industry	Commitment	Interest Rate	Estimated Effective Interest Rate (%)	Fees	Estimated Fees (%)
2607380 Ontario Inc.	Meridian	CCAA	Richter	February 26, 2020	Ontario	Real Estate	7,200	9.3%	9.3%	Commitment fee of \$107, availability fee of \$2 per month.	1.8%
3834310 Canada Inc. (Groupe Capitales Medias)	Investissement Quebec	NOI	PwC	August 19, 2019	Quebec	Media	5,000	Confidential	Confidential	Confidential	Confidential
Accel Energy Canada Limited	Third Eye Capital Corporation (as agent) and ICC Credit Holdings Ltd. and other parties as lenders.	NOI	PwC	October 21, 2019	Alberta	Oil and Gas	30,000	12.0%	12.0%	\$600 closing fee	2.0%
AgMedica Bioscience Inc.	SV V Bridge III, LP	CCAA	EY	December 2, 2019	Ontario	Cannabis	7,500	9.5%	9.5%	N/A	0.0%
AgMedica Bioscience Inc.	Hillmount Capital Inc.	CCAA	EY	December 2, 2019	Ontario	Cannabis	7,500	9.5%	9.5%	2.25% commitment fee	2.3%
Air Georgian Limited	2229275 Alberta Ltd.	NOI	KPMG	January 31, 2020	Ontario	Aviation	800	12.0%	12.0%	N/A	0.0%
Aralez Pharmaceuticals Inc. and Aralez Pharmaceuticals Canada Inc.	Deerfield Management Company, L.P.	CCAA	Richter	August 10, 2018	Ontario	Pharmaceuticals	10,000	10.0%	10.0%	1% commitment fee, 1% extension fee	2.0%
Argex Titanium Inc.	11345974 Canada Inc.	NOI	PwC	July 2, 2019	Quebec	Technology	1,500	18.5%	18.5%	2% commitment fee	2.0%
Ascent Industries Corp.	Pillar Capital Corporation	CCAA	EY	March 1, 2019	British Columbia	Cannabis	2,000	15.0%	15.0%	3% structuring fee, monthly monitoring fee of \$.75 and due diligence fee of \$6.3.	3.8%
Aspen Air	C.F. Capital Corporation	NOI	KSV	June 12, 2018	Alberta	Manufacturing	300	10.0%	10.0%	2% commitment fee, 2% exit fee, professional costs of lender	4.0%
Bellatrix Exploration Ltd.	Names of lenders redacted	CCAA	PwC	October 2, 2019	Alberta	Oil and Gas	15,000 USD	10.0%	10.0%	USD \$750, earned as follows: i) USD \$250 on the date of initial advance, ii) USD \$250 if not repaid within 30 days, and iii) USD \$250 if not repaid within 60 days.	5.0%
Bioamber Canada & Bioamber Sarnia Inc.	Maynbridge Capital	CCAA	PwC	May 24, 2018	Ontario	Manufacturing	3,500	9.0%	9.0%	3% commitment fee, 2% standby fee, 3% break fee, early repayment penalties, professional costs of lender	3.0%
Biomod Concepts Inc.	T Investment Corp.	NOI	Richter	April 8, 2019	Quebec	Technology	700	15.0%	15.0%	N/A	0.0%
Bondfield Construction Company Limited	Zurich Insurance Company Ltd.	CCAA	EY	April 3, 2019	Ontario	Construction	8,000	6.0%	6.0%	N/A	0.0%
Bondfield Construction Company Limited	Bridging Finance, as agent	CCAA	EY	April 3, 2019	Ontario	Construction	6,000	14.0%	14.0%	N/A	0.0%
Burry's Shipyard	BDC	NOI	Deloitte	July 10, 2018	Newfoundland	Manufacturing	300	BDC's Floating Base Rate + 6.45% (12.25% effective rate)	15.3%	Loan processing fee of \$6, monthly administration fee of \$0.25, professional costs of lender.	3.0%
DEL Equipment Inc.	Diesel Equipment Limited	CCAA	MNP	October 22, 2019	Ontario	Automotive	1,000	6.5%	6.5%	N/A	0.0%
Divestco Inc.	Krik Popadynetz, Wade Darryl Brillon, Marvin Lefebvre, Monashees Vernon Liquor Store Ltd. and Michael Brent Gough	CCAA	Grant Thornton	March 4, 2019	Alberta	Oil and Gas	1,500	18.0%	18.0%	\$25 facility fee, professional costs of lender.	1.7%
Donaldson & James Ltd. and the Agency Employment Services Ltd.	FundThrough Inc.	NOI	Farber	January 23, 2019	Ontario	Staffing	3,000	24.0%	24.0%	1.5% facility fee, professional costs of the lender	1.5%
Energold Drilling Corp.	Energold DIP Lender, LLC	CCAA	FTI Consulting	September 13, 2019	British Columbia	Mining	3,800	8% for the first 45 days post-filings, 12% for the next 30 days, 18% thereafter	16.3%	\$90 closing fee, \$90 agent fee and \$90 exit fee	7.1%

Eureka 93 Inc.	Spouter Corporation Inc., David and Donna VanSegbrook	NOI	Deloitte	February 14, 2020	Ontario	Cannabis	2,300	15.0%	15.0%	Commitment fee of \$320.	13.9%
Fluid Brands Inc.	CIBC	NOI	Richter	October 25, 2018	Ontario	Retail	25,300	In accordance with company's pre- filing credit agreement with lender.	5.2%	\$165 commitment fee; professional costs of lender.	0.7%
Forme Development Group Inc.	Kingsett Mortgage Corporation	CCAA	KSV	November 30, 2018	Ontario	Real Estate	5,000	RBC's prime rate + 4.55% (minimum rate of 8.5%)	8.5%	\$75 commitment fee, extension fee of \$25 on each 4-month extension; professional costs of the lender.	2.0%
Fortress Global Enterprises Inc.	Investissement Quebec	CCAA	Deloitte	December 16, 2019	Quebec	Forestry	6,000	10.0%	10.0%	N/A	0.0%
Gedex Systems Inc.	FCMI Parent Co.	CCAA	Zeifmans	August 12, 2019	Ontario	Technology	600	In accordance with company's pre- filing credit agreement with lender.	Unknown	Unknown	Unknown
Gestion KnightsBridge Inc. and Investissements KnightsBridge S.E.C.	Claric Drolet Limited Partnership and Claric Bromont Limited Partnership	NOI	Richter	November 15, 2019	Quebec	Real Estate	100	10.0%	10.0%	N/A	0.0%
Harvest Fraser Richmond Organics	Pillar Capital Corporation	CCAA	EY	October 12, 2018	British Columbia	Cleantech	1,000	14.0%	14.0%	Unknown	Unknown
Harvest Fraser Richmond Organics	Maynbridge Capital	CCAA	EY	October 12, 2018	British Columbia	Cleantech	1,000	10.0%	10.0%	4% commitment fee, 2% standby fee	4.0%
Hollander Sleep Products Canada Limited (Canadian borrower of US group under Chapter 11 bankruptcy protection)	Syndicate of prepetition ABL lenders	Foreign order recognition	KSV	May 23, 2019	Ontario	Manufacturing	90,000 (Canadian debtor sublimit of 20,000)	Effective interest estimated to be 6.5%	6.5%	\$1,350 closing fee (1.5% of committed amount)	1.5%
ILTA Grain Inc.	Farm Credit Canada	CCAA	PwC	July 7, 2019	British Columbia	Agriculture	8,000	8.0%	8.0%	2.5% commitment fee	2.5%
Invictus MD Strategies	ATB Financial	CCAA	PwC	February 13, 2020	British Columbia	Cannabis	3,000	10.0%	10.0%	\$60 upfront fee (2% of total commitment, \$.5/mo. monitoring fee.	2.2%
Jack Cooper Ventures	Prepetition ABL Lenders	Foreign order recognition	Alvarez & Marsal	August 9, 2019	Ontario	Automotive	85,000	LIBOR plus 3.5% or Base Rate plus 2.5%	6.3%	0.25% standby fee	0.0%
Kolsy Homes	KV Capital Corporation	CCAA	Bowra Group	July 9, 2018	Alberta	Real Estate	600	Unknown	Unknown	Unknown	Unknown
Le groupe S.M. Inc. et als	Integrated Asset Management	CCAA	Deloitte	August 24, 2018	Quebec	Construction	2,000	9.0%	9.0%	1% standby fee	0.0%
Miniso Canada	MIHK Management Inc.	CCAA	Alvarez & Marsal	July 11, 2019	British Columbia	Retail	2,000	10.0%	10.0%	N/A	0.0%
Nautilus Minerals Inc.	Deap Sea Mining Finance Ltd.	CCAA	PwC	February 21, 2019	British Columbia	Mining	4,000	8.0%	8.0%	Professional costs of the lender	0.0%
North American Fur Auctions Inc.	Waygar Capital Inc.	CCAA	Deloitte	October 31, 2019	Ontario	Distribution	5,000 USD	12.0%	12.0%	2% closing fee	2.0%
Ontario Graphite	Orionis Corporation	CCAA	Deloitte	February 12, 2020	Ontario	Mining	2,800	15.0%	15.0%	N/A	0.0%
OpenHydro	OpenHydro Group Limited (In Liquidation	CCAA	Grant Thornton	November 7, 2018	Nova Scotia	Biotech	500	N/A	N/A	N/A	N/A
Orbcare Inc.	iGan Partners Inc.	NOI	MNP	May 25, 2019	Ontario	Technology	1,200	10.0%	10.0%	\$250	20.8%
Pier 1 Imports (U.S.), Inc.	Various pre-petition lenders	Foreign order recognition	Alvarez & Marsal	February 18, 2020	Ontario	Retail	256,000 USD	Revolving loans: LIBOR + 3% FILO Loans: LIBOR + 4.5% ABL Term Loan: LIBOR + 8%	5.4%	\$2,400 in aggregate fees (equal to 0.9% of the total financing)	0.9%
Prendville Industries Ltd.	CIBC	NOI	EY	December 5, 2019	Ontario	Forestry	1,000	CIBC prime rate + 4.0%	8.0%	N/A	0.0%
Purcell Basin Minerals Inc. et al.	Braveheart Resources Inc.	CCAA	MNP	May 29, 2018	British Columbia	Mining	200	12.0%	12.0%	Professional costs of lender	0.0%
Purcell Basin Minerals Inc. et al.	MLM Pacific LLC	CCAA	MNP	May 29, 2018	British Columbia	Mining	600	7.0%	7.0%	Finance fee equal to 10% of each advance, professional costs of lender	10.0%
Purewal Blueberry Farms Ltd.	Blueberry Holding (GP) Ltd.	NOI	FTI Consulting	April 30, 2018	British Columbia	Agriculture	500	15.0%	15.0%	\$15 lending fee upon court acceptance	3.0%
Ranch Energy Corporation et al.	Third Eye Capital Corporation	CCAA	EY	July 10, 2018	Alberta	Oil and Gas	1,400	12.0%	12.0%	Unknown	0.0%
Rebuts Solides Canadiens inc. et al	RECYC-QUÉBEC	CCAA	PwC	February 3, 2020	Quebec	Recycling	7,000	5.0%	5.0%	N/A	0.0%

Resource Capital Gold	Sprott Private Resource Lending (Collector) LP	NOI	PwC	January 28, 2019	British Columbia	Mining	2,200	18.0%	18.0%	Professional costs of the lender	0.0%
Stantive Technologies Group Inc.	1968392 Ontario Inc. and 233073 Ontario Inc.	NOI	EY	November 14, 2018	Ontario	Technology	800	12.0%	12.0%	2% commitment fee.	2.0%
Stornaway Diamond Corporation	Osisko Gold Royalties Ltd., CDPQ Resources Inc., 1078243 Canada Limited and Diaquem Inc.	CCAA	Deloitte	September 9, 2019	Quebec	Mining	20,000	12.5%	12.5%	N/A	0.0%
TELEoIP Inc.	Adarsan Holdings Limited and Dicot Holdings Ltd.	CCAA	PwC	June 27, 2018	Ontario	Technology	1,500	5.0%	5.0%	Professional costs of lender	0.0%
Trade Secret Web Printing Inc.	B&Y Property Holdings Inc.	NOI	Crowe Soberman	November 22, 2019	Ontario	Printing	300	5.0%	5.0%	2% closing fee	2.0%
Vari-Form	11032569 Canada Inc. (also the stalking horse bidder in these proceedings).	CCAA	PwC	January 8, 2019	Ontario	Automotive	22,800	5.0%	5.0%	N/A	0.0%
Viafoura Inc.	Intecap Equity Inc.	NOI	KSV	December 1, 2019	Ontario	Technology	1,000	RBC prime rate plus 2%	6.0%	1% of loan payable upon each extension of loan maturity beyond January 30, 2020.	1.0%
VistaCare Communications Services of Canada Inc., et als	Bank of Montreal and Roynat Inc.	NOI	Grant Thornton	June 19, 2019	Nova Scotia	Telecommunications	2,700	9.5%	9.5%	\$25 commitment fee	0.9%
Wayland Group Corp. et al	The House of Turlock Ltd.	CCAA	PwC	December 2, 2019	Ontario	Cannabis	1,100	13.0%	13.0%	\$50 initial commitment fee, subsequent commitment fee equal to the greater of \$125 and \$4% of the difference between the maximum DIP availability and the amount of the initial advance.	15.9%
Yukon Zinc	Century Acquisitions Inc.	NOI	PwC	July 31, 2019	British Columbia	Mining	3,000	18.0%	18.0%	N/A	0.0%
Discovery Air Inc.	CEP IV Co-Investment Limited Partnership	CCAA	KSV	March 21, 2018	Ontario	Transportation	12,600	10.0%	10.0%	Professional costs of lender	0.0%
Société en commandite Tilly de Laval et Promotions Anne Delisle Inc.	La Financiere Transcapitale Inc.	CCAA	Lemieux Nolet Inc.	February 14, 2018	Quebec	Construction	800	Unknown	Unknown	Unknown	Unknown
Manitok Energy	SCCC Petroleum Corporation	NOI	FTIConsulting	January 10, 2018	Alberta	Oil and Gas	800	8.0%	8.0%	2% standby fee, \$150 commitment fee, 2% prepayment fee, exit fee of \$150, professional costs of lender	37.5%