CV-20-00639000-00CL APRIL 9, 2020

Re JAMES E. WAGNER CULTIVATION

(1) This application was heard by teleconference in accordance with the change in operations of the Commercial List in light of the Covid-19 crisis and the Chief Justice's Notice to the profession dated March 15, 2015.

(2) On April 1, 2020 I granted an initial order to the Applicants which included a stay of proceedings until April 10, 2020, the appointment of KSV Kofman Inc. as Monitor, DIP Financing and other limited charges over the applicants' property.

3 The applicants' business is a vertically integrated cannabis brand producing clean and consistent cannabis using their advanced and proprietary aeroponic platform. Before obtaining the initial order the Applicants were in a liquidity crisis and unable to meet their obligations as they became due including a $350,000 payroll obligation on April 1, 2020.

4 The Applicants are seeking creditor relief to implement a sales process and a consensual restructuring that would see the Applicants' business emerge from these CCAA proceedings as a going concern

business with a deleveraged balance sheet.

5 On this comeback Motion the applicants seek the following:

(a) Extension of the Stay of proceedings to June 26, 2020;

(b) The appointment of a Chief Restructuring Officer;

(c) An increase to the charges in the Initial Order as follows:

(i) Increase in Administration charge to $600,000;

(ii) Increase in Directors' charge to $1,050,000; and

(iii) Increase in DIP Lender's charge to $4 Million.

(6) The applicants also seek approval of a Stalking Horse asset purchase agreement ("Stalking Horse APA"); and a sale and investor solicitation process ("SISP") and related bidding procedures ("Bidding Procedures").

(7) The relief sought by the applicants on this Comeback Motion is not opposed except for the timelines provided for in the SISP that are opposed by Jind Global Macro Fund ("Jind"). Jind submits that the proposed

bid deadline of May 15, 2020 is too short and argues that the deadline should be 60 - 90 days rather than the 35 days provided for in the proposed SISP.

8 The applicants submit that the Monitor and STOIC advisory Inc. ("Stoic"), a corporate adisory firm specializing in the cannabis industry, believe that the SISP and Bidding Procedures will result in a fair and equitable sales process that will fairly canvass the market in

order to maximize value for the applicants' assets resulting in the best outcome for the applicants' stakeholders. This includes the May 15, 2020 bid deadline.

9 This is the only expert opinion evidence before me on the SISP timelines and I accept it. I am satisfied that the May 15, 2020 bid deadline is fair and reasonable and despite Mr. Taylor's able submissions I do not find that it should be longer.

10 I am therefore satisfied that the SISP and the

Bidding procedures should be approved.

(11) I am satisfied that the proposed stay of proceedings to June 26, 2020 should be approved. It is necessary to permit the Applicants to implement the SISP which is in the best interests of all the Applicants' stakeholders. Further, the Applicants have acted and continue to act in good faith and with due diligence. Finally, the Monitor supports the requested extension of the Stay of Proceedings and the Applicants are

forecast to have sufficient liquidity throughout the stay period.

12 The Monitor has reported that the Applicants would benefit by augmenting the senior management team & add stability to the business during the CCAA proceedings. I am satisfied the Applicants will benefit from the proposed CRO's expertise and experience in cannabis restructurings. Further, the terms of the CRO's engagement are fair and

reasonable. The CRO's Engagement Letter contains commercially sensitive information and should be sealed.

(13) I am satisfied that the Administration Charge should be increased to $600,000 to provide security for professional fees, including the fees and expenses of the CRO. This is a highly regulated and complex industry and a successful restructuring will require the extensive involvement of the professionals

and the CRO.

(14) The increase in the directors' charge to $1,050,000 is appropriate. This amount reflects the estimate of the maximum potential liability of the directors and officers during the length of the CCAA proceedings. The increase is supported by the Monitor and the first-lien lender and the DIP lender.

(15) In the Initial Order I approved the DIP loan of $4,000,000 but only $800,000

was subject to the DIP lender's charge during the initial 10-day period. I am satisfied that s. 11.2(1) of the CCAA has been complied with and all secured creditors have notice of the requested increase to the DIP charge and the charge will not secure obligations incurred prior to the CCAA proceedings. The increased DIP charge is therefore approved.

16 I am only being asked to approve the Stalking Horse APA for the purpose of approving it under the Bidding Procedures. The

Stalking Horse APA is the product of extensive negotiations with the first lien lender and the DIP lender and provides a baseline price that should improve bids received in the SISP. The Monitor supports the Stalking Horse APA and I am satisfied that it is fair and reasonable.

(17) I am satisfied that the SISP and Bidding Procedures should be approved. They provide an appropriate framework that will fairly canvass the market & obtain the best offer for the Applicant's business and will maximize

value for the Applicants' stakeholders.

18 For these reasons the Amended and Restated Order and the Bidding Procedures and Stalking Horse APA Approval Order are to issue on the terms of the attached.

19 These orders are effective today whether or not they are approved.

Hainey J.