April 1, 2020

Re James E. Wagner Cultivation Corporation ("JWC") v et al.

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 & the Proceedings dated March 15/20.

② The applicants apply for creditor protection and other relief under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36 ("CCAA"). They seek an initial order, substantially in the form

included in the application record. None of the parties attending on the Teleconference hearing oppose the relief requested.

3 The applicants' business is a vertically integrated premium cannabis brand that focuses on producing clean and consistent cannabis using their advanced and proprietary aeroponic platform. JWC is a reporting issuer in Ontario, Alberta and British Columbia. It's head office is in Kitchener, Ontario. It employs approximately 160 full-time employees.

4 The applicants' business is subject to a comprehensive and rigorous regulatory

regime which requires ongoing compliance with many operational requirements, including that certain management & employees, including officers and directors must hold security clearances. The applicants' operating company holds licences issued by Health Canada that are required to grow, process and sell cannabis in Canada.

5 The applicants are currently suffering a severe liquidity crisis. JWC has been cash flow negative since its inception and has relied

upon equity and debt financing for funding. The applicants currently have very limited cash on hand and are generally unable to meet their obligations as they come due. The most pressing obligation is the requirement to meet payroll for their employees in the amount of $350,000 which is due today.

(6) As a result of discussions with their first-lien lender, Trichome Financial Corp ("Trichome"), the applicants are seeking

relief under the CCAA in order to implement a consensual restructuring that would see the applicants' business emerge as a going concern with a deleveraged balance sheet.

7 The applicants submit that the relief sought is urgent because Truthome has made demand on the applicants under the BIA and they have a payroll obligation due today of $350,000

8 The issues that I must decide on this application are the following:

(a) Is each of the applicants a "debtor company" eligible for CCAA protection?

(b) Should the requested stay of proceedings be granted?

(c) Should the proposed DIP financing and DIP charge be approved?

(d) Should the administration charge be granted? and

(e) Should the directors' charge be granted?

9 Section 11.001 of the CCAA is clear that absent exceptional circumstances, the relief

that can be granted at the initial hearing "shall be limited to relief that is reasonably necessary for the continued operation of the debtor company in the ordinary course of business during that period". The period can be no more than 10 days and, whenever possible, the status quo should be maintained.

(10) It is against this backdrop that the applicants' requested relief must be scrutinized so as to ensure that the relief granted is restricted to what is reasonably necessary for the continued

operations of the applicants' business for the initial 10-day stay period. This is often referred to as a "skinny" initial order.

11 I am satisfied that each of the applicants is a "debtor company" as defined by the CCAA because they are insolvent companies that have debts in excess of $5 Million.

12 I am also satisfied that a stay of proceedings should be granted for a 10-day period to allow the applicants to stabilize

their operations. The 10-day stay is reasonably necessary for the continued operation of the Applicants' business.

(13) Trichome has agreed to provide a super-priority, debtor-in-possession credit facility of up to $4 Million. The proceeds from the DIP financing will be used to pay professional fees, interest, and operating expenses, including payroll and restructuring costs. The amount of proposed DIP financing that is to be funded during the

initial 10-day period is $800,000. Having reviewed the proposed cash flow forecast for the first 10 days, I am satisfied that this amount of DIP financing is reasonably necessary to keep the applicants operating in the normal course for 10 days. It is significant that no fees with respect to the DIP financing will be earned before the comeback hearing on April 9, 2020. The proposed DIP financing and DIP Charge for the 10-day period is

approved.

(14) I am satisfied that the proposed administration charge of $500,000 is also appropriate and reasonably necessary for the continued operation of the applicants in the normal course. The charge is supported by Trichome and the monitor and it meets the criteria set out by Regall J. (as she then was) in Canwest Publishing Inc. The administration charge is approved for these reasons.

(15) I am also satisfied that

The Directors' and Officers' Charge of $430,000 is appropriate and reasonably necessary for the continued operation of the Applicants' business in the ordinary course for the 10-day period.

The directors and officers have indicated that their continued involvement in these CCAA proceedings is conditional on the granting of the charge and the Applicants will require their active committed involvement to successfully emerge from the CCAA proceedings as a going concern. The D&O charge

is approved.

(16) For these reasons the initial order is granted on the terms of the attached. The order is effective on today's date whether or not it is formally entered.

(17) The comeback hearing is scheduled for April 9, 2020 at a time to be fixed with the commercial list office.

Haley J.