

Court File No.: CV-22-00678884-00CL

**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 THE COMPROMISE OR ARRANGEMENT OF EVE & CO  
INCORPORATED, NATURAL MEDCO LTD., and EVE & CO INTERNATIONAL  
HOLDINGS LTD.

Applicants

**MOTION RECORD  
(RETURNABLE AUGUST 26, 2022)**

August 25, 2022

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**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

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# TAB 1



**ONTARIO  
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**NOTICE OF MOTION  
(Returnable August 26, 2022)**

The Applicants, Eve & Co Incorporated ("**Eve & Co**"), Natural MedCo Ltd. ("**NMC**") and Eve & Co International Holdings Ltd. ("**Eve International**" collectively, the "**Eve Group**", or the "**Applicants**") will make a motion to the Court on Friday, August 26, 2022, at 10:00 am or as soon after that time as the motion can be heard.

PROPOSED METHOD OF HEARING: The motion is to be heard by videoconference at the following location:

[Zoom link to be uploaded to Caselines.](#)

**THE MOTION IS FOR:**

1. An amended and restated initial order ("**Amended and Restated Initial Order**"), substantially in the form attached at Tab 3 of the Applicants' Motion Record, among other things:
  - (a) abridging the time for and validating service of this notice of motion and the motion record and dispensing with service on any person other than those served;

- (b) extending the stay of proceedings granted pursuant to the order of Justice Conway dated April 1, 2022 (“**Amended and Restated Initial Order**”), to and including September 30, 2022 (“**Extended Stay Period**”);
  - (c) approving an amended and restated debtor-in-possession term sheet dated August 25, 2022 and made between the Applicants and Deans Knight Private Credit GP Inc., as General Partner of Deans Knight Private Credit Limited Partnership, and DK Strategic Yield U.S. GP LLC, as General Partner of DK Strategic Yield Master Trust Limited Partnership (collectively, the “**DIP Lender**”), together with a corresponding increase to the court-ordered charge granted in favour of the DIP Lender, to a maximum amount of \$2,800,000 (from \$2,200,000);
  - (d) approving an increase to the current administration charge granted in favour of the Applicants’ counsel, the Monitor, and the Monitor’s counsel pursuant to the Amended and Restated Initial Order to a maximum amount of \$700,000 (from \$500,000)
2. such further and other relief as this Court may deem just and equitable.

## **THE GROUNDS FOR THE MOTION ARE:**

### **Background**

3. Eve Group is a licenced producer and distributor of cannabis flower, cannabis plants, and cannabis products, located in Strathroy, Ontario.
4. On March 25, 2022 (the “**Initial Filing Date**”), the Court granted the Initial Order that, among other things, provided protection to the Applicants under the Companies’ Creditors Arrangement Act, R.S.C. 1985, c, C-36, as amended (“**CCAA**”).
5. On April 1, 2022, the Court granted an order (“**Sale Process Approval Order**”), among other things, approving a sale and investment solicitation process in respect of the Applicants’ business and assets (“**Sale Process**”).

6. The Eve Group initiated proceedings under the CCAA on account of the financial pressures arising as a result of, among other things: (i) a series of breached sales agreements that resulted in a loss of millions of dollars in expected annual revenue and the attendant spoilage of unsold inventory; (ii) investments in partnerships that did not come to fruition; (iii) the forced eviction of a leaseholder operating from the Eve Group's greenhouse for non-payment of rent and unacceptable operating practices; (iv) a breached share subscription; and (v) a global pandemic.

7. The purpose of the Sale Process was to solicit offers for the acquisition of or an investment in the business and assets of the Applicants, and to implement one or a combination of such offers, including a potential sale of the business on a going concern basis.

8. The Monitor, in conjunction with the Applicants, conducted the Sale Process in accordance with the Sale Process Approval Order.

### **Extension of Stay of Proceedings**

9. Pursuant to the Amended and Restated Initial Order, the Honourable Madam Justice Conway granted a stay of proceedings until August 26, 2022 (the "**Current Stay Period**").

10. During the Current Stay Period, the Applicants have acted, and continue to act, in good faith and with due diligence to, among other things, operate in the ordinary course of business, communicate with stakeholders, and to assist the Monitor with the implementation of the Sale Process.

11. The Sale Process is essentially complete. The Monitor and the Applicants are currently in negotiations with one of the offerors (the "**Bidder**") who submitted a bid in the Sale Process in respect of the terms, conditions, due diligence requirements and timing of its offer.

12. The Applicants anticipate attending before this Court in the near term to request an approval and vesting order in respect of a finalized sale agreement with the Bidder.

13. The Applicants are requesting an extension of the Current Stay Period to September 30, 2022.

14. The Stay Extension Period will permit the Bidder to complete its due diligence and the Applicants to finalize the transaction agreement. The Bidder currently operates in the cannabis industry and the continued operations of NMC, and preservation of the Health Canada licenses, is a condition of their proposed transaction.

15. Should the requested increase in interim financing be approved, the Applicant will have sufficient liquidity during the Extended Stay Period to fund operating expenses and the costs of the CCAA proceedings.

16. It is just and convenient and in the interests of the Applicants and their stakeholders that the Current Stay Period be extended to September 30, 2022.

17. The Monitor supports, and no creditor will be prejudiced by, the Extended Stay Period.

#### **Amended and Restated DIP Term Sheet and DIP Lender's Charge**

18. Pursuant to the Amended and Restated Initial Order, the Court approved \$2,200,000 of interim financing (the "**DIP Loan**") to the Applicants. The Amended and Restated Initial Order granted a charge in favour of the DIP Lender in the maximum amount of \$2,200,000 (the "**DIP Lender's Charge**"), as security for the amount advanced to the Applicants under the DIP Loan.

19. The Applicants have committed substantially all of the court-authorized DIP financing that has been made available to date, and will have a continuing need to draw upon the DIP Loan to fund operating expenses and these CCAA proceedings throughout the Extended Stay Period.

20. The DIP Lender is prepared to make an additional \$600,000 in interim financing available to the Applicants on the terms set out in a further amended and restated DIP Term Sheet dated August 25, 2022 (the "**Amended and Restated DIP Term Sheet**").

21. In furtherance of this financing, the Applicants seek a corresponding \$600,000 increase to the DIP Lender's Charge.

22. The increase to the DIP Loan is the amount estimated to be required to allow the Applicants to continue to operate in the ordinary course during the Extended Stay Period.

23. The proposed increase to the DIP Loan is conditional upon court approval of the same and an increase of the DIP Lender's Charge to \$2,800,000.

24. The Applicants and the Monitor are of the view that the amount of the additional interim financing and the increase to the DIP Lender's Charge are reasonable and necessary.

#### **Increase to Administration Charge**

25. At the commencement of these proceedings, on March 25, 2022, the Applicants sought and obtained an administration charge to secure the professional fees and disbursements of the Applicants' counsel, the Monitor and the Monitor's counsel (the "**Administration Charge**"), up to a maximum of \$500,000.

26. The cash flow forecast filed on the Initial Filing Date provided for monthly payments of the professional fees and related disbursements. However, due to the Applicant's cash position, no professional fees have been paid since May 2022. In the course of the ongoing CCAA proceedings, including conducting the SISF, the unpaid professional fees have accrued to amounts that in aggregate exceed the current Administration Charge.

27. The Applicants seek an increase to the Administration Charge to \$700,000 to better accommodate and more fully protect the fees and disbursements of the beneficiaries of the charge through to the end of the Extended Stay Period.

28. The increase to the Administration Charge is appropriate in the circumstances and will facilitate the active involvement of the beneficiaries of the Administration Charge during these proceedings.

29. The Applicants are of the view that the proposed increase to the Administration Charge is reasonably necessary at this time.

**General**

30. The provisions of the CCAA, including sections 11, 11.02, 11.03, 11.2, and the statutory, inherent and equitable jurisdiction of this Court.

31. Rules 1.04, 1.05, 2.01, 2.03, 3.02, 16, 37, and 39 of the Rules of Civil Procedure, R.R.O. 1990, Reg. 194, as amended.

32. Section 106 of the Courts of Justice Act, R.S.O. 1990, c. C.43, as amended; and

33. Such further and other grounds as counsel may advise.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

- (a) the affidavit of Melinda Rombouts, sworn August 25, 2022 and the exhibits attached thereto;
- (b) The Second Report of the Monitor dated August 25, 2022; and
- (c) Such further and other evidence as counsel may advise and this Court may permit.

August 25, 2022

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Lawyers for the Applicants

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IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C.  
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Applicants

**ONTARIO  
SUPERIOR COURT OF JUSTICE -  
COMMERCIAL LIST**

Proceeding commenced at TORONTO

**NOTICE OF MOTION  
(Returnable August 26, 2022)**

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Lawyers for the Applicants



# TAB 2

Court File No.: CV-22-00678884-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
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HOLDINGS LTD.

Applicants

**AFFIDAVIT OF MELINDA ROMBOUTS  
(sworn August 25, 2022)**

I, Melinda Rombouts, of the municipality of Lambton Shores, in the County of  
Lambton, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

**A. Introduction**

1. I am the President and Chief Executive Officer ("**CEO**") of Eve & Co Incorporated ("**Eve & Co**"), as well as a member of the board of directors, having served in these positions since I founded the company in 2014.

2. I am also the CEO and a member of the board of directors of each of Eve & Co's two wholly owned subsidiaries, Natural MedCo Ltd. ("**NMC**") and Eve & Co International Holdings Ltd. ("**Eve International**", collectively with NMC and Eve & Co, the "**Applicants**" or the "**Eve Group**").

3. As such, I have personal knowledge of the matters to which I depose in this affidavit, except where I have obtained information from others. Where I have obtained information from others, I have stated the source of my information and, in all such cases, believe such information to be true.

4. I have previously sworn two affidavits in this CCAA proceeding: my first affidavit was sworn on March 23, 2022 (“**First Rombouts Affidavit**”). My second affidavit was sworn on March 29, 2022 (“**Second Rombouts Affidavit**”). Attached hereto as **Exhibit “A”** and **Exhibit “B”**, respectively, are copies of the First Rombouts Affidavit and the Second Rombouts Affidavit, without exhibits.

## **B. BACKGROUND TO CCAA PROCEEDING**

5. On March 25, 2022 (the “**Initial Filing Date**”), the Court granted the initial order (the “**Initial Order**”) that, among other things, provided protection to the Applicants under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c, C-36, as amended (“**CCAA**”).

6. On April 1, 2022, the Court granted, among other things:

a. an order (“**Amended and Restated Initial Order**”):

- i. extending the stay of proceedings granted pursuant to initial order, dated March 25, 2022 (“**Initial Order**”) to and including August 26, 2022 (“**Extended Stay Period**”);
- ii. authorizing and approving an increase in the amount that the Applicants are entitled to borrow under the Debtor-in-Possession Term Sheet (“**DIP Term Sheet**”), dated March 22, 2022, between the Applicants and Deans Knight Private Credit GP Inc., as General Partner of Deans Knight Private Credit Limited Partnership, and DK Strategic Yield U.S. GP LLC, as General Partner of DK Strategic

Yield Master Trust Limited Partnership (collectively, the “**DIP Lender**”), from \$1,200,000 to \$2,200,000;

iii. approving increases to the following charges (the “**Priority Charges**”);

1. increasing the Administration Charge to \$500,000; and

2. increasing the DIP Lenders’ Charge to \$2,200,000.

b. an order (“**Sale Process Approval Order**”) among other things, approving a sale and investment solicitation process in respect of the Applicants’ business and assets (“**Sale Process**”).

### **C. OVERVIEW OF RELIEF SOUGHT**

7. This affidavit is sworn in support of a motion by the Applicants for an Order substantially in the form of the draft order at Tab 3 to the Applicants’ Motion Record, among other things:

a. extending the stay of proceedings granted pursuant to the Amended and Restated Initial Order to and including September 30, 2022 (“**Extended Stay Period**”);

b. approving a further amended DIP Term Sheet made between the Applicants and the DIP Lender, together with a corresponding increase to the charge granted in favour of the DIP Lender (the “**DIP Lender’s Charge**”), to a maximum amount of \$2,800,000;

- c. approving an increase to the administration charge granted in favour of the Applicants' counsel, the Monitor, and the Monitor's Counsel (the "**Administration Charge**") pursuant to the Amended and Restated Initial Order to a maximum amount of \$700,000; and
- d. such further and other relief as this Court may deem just.

#### **D. OVERVIEW OF APPLICANTS AND STATUS OF CCAA PROCEEDING**

8. The Eve Group is a licenced producer and distributor of cannabis flower, cannabis plants, and cannabis products, located in Strathroy, Ontario. The Applicants applied for urgent relief under the CCAA on March 25, 2022, because they had insufficient funds to sustain operations after that date.

9. The Applicants have continued to operate in the ordinary course since the Initial Order was granted. Since the April 1, 2022 comeback hearing, the Applicants have been working with Monitor oversight to stabilize and maintain operations, while conducting the Sale Process in accordance with the Sale Process Approval Order.

10. The Sale Process is nearing completion. The Monitor and the Applicants are currently in negotiations with one of the offerors (the "**Bidder**") who submitted a bid in the SISF in respect of the terms, conditions, due diligence requirements and timing of its offer.

11. It is anticipated that the Applicants will attend before this Court in the near term to request an approval and vesting order in respect of a finalized sale agreement with the Bidder.

## **E. RELIEF SOUGHT**

### **i. Extension of Stay of Proceedings**

12. The Applicants have acted, and continue to act, in good faith and with due diligence during this CCAA proceeding. The Applicants seek an extension of the stay of proceedings from August 26, 2022 to September 30, 2022 (the “**Extended Stay Period**”). The Extended Stay Period will permit the Bidder to complete its due diligence and the Applicants to finalize a sale transaction agreement. The Bidder currently operates in the cannabis industry and the continued operation of NMC, and the preservation of the Health Canada licenses, is a condition of their proposed transaction.

13. The cash flow forecast (the “**Cash Flow Forecast**”) is appended at Appendix “A” to the Monitor’s second report dated August 25, 2022 (the “**Monitor’s Second Report**”). Subject to court approval of an increase in the DIP Loan and the DIP Lender’s Charge (as such terms are defined below), the Cash Flow Forecast indicates sufficient liquidity to fund the ongoing operating costs of the Applicants, and the costs of this CCAA proceeding during the Extended Stay Period.

14. I do not believe that any creditor will suffer material prejudice as a result of the extension of the stay of proceedings for the Extended Stay Period. I understand that the Monitor supports the Extended Stay Period.

### **ii. DIP Financing**

15. Pursuant to the Amended and Restated Initial Order, the Court approved \$2,200,000 of interim financing (the “**DIP Loan**”) to the Applicants. The Amended and Restated Initial Order granted the DIP Lender’s Charge as security for the amount advanced to the Applicants under the DIP Loan.

16. The Monitor's Second Report provides an accurate description of several of the business challenges that NMC has faced during the currency of these CCAA proceedings, and the impact that such challenges have had on cash flow. The Applicants, with the assistance of the Monitor, have prepared the updated Cash Flow Forecast which is premised on conservative assumptions that reflect current market conditions and developments during these CCAA proceedings.

17. The Applicants have committed substantially all of the court-authorized DIP financing that has been made available to date, and will have a continuing need to draw upon the DIP Loan to fund operating expenses and these CCAA proceedings throughout the Extended Stay Period. The Cash Flow Forecast demonstrates that the Eve Group will have a continuing need to draw upon financing to fund these CCAA proceedings. Notably, the bulk of the proposed additional borrowings will fund payments relating to insurance and hydro that are required to protect the Applicants' primary real property asset.

18. The DIP Lender is prepared to make an additional \$600,000 in interim financing available to the Applicants on the terms set out in a further amended and restated DIP Term Sheet dated August 25, 2022 (the "**Amended and Restated DIP Term Sheet**"). In furtherance of this financing, the Applicants seek a corresponding \$600,000 increase to the DIP Lender's Charge. A copy of the Amended and Restated DIP Term Sheet is attached hereto as **Exhibit "C"**.

19. The increase to the DIP Loan is the amount estimated to be required to allow the Applicants to continue to operate in the ordinary course during the Extended Stay

Period. The Applicants and the Monitor are of the view that the amount of the additional interim financing and the increase to the DIP Lender's Charge are reasonable and necessary.

**iii. Increase to Administration Charge**

20. At the commencement of these proceedings, on March 25, 2022, the Applicants sought and obtained the Administration Charge to secure the professional fees and disbursements of the Applicants' counsel, the Monitor and the Monitor's counsel (collectively, the "**Professional Group**") up to a maximum of \$500,000.

21. The cash flow forecast filed on the Initial Filing Date provided for monthly payments of the professional fees and related disbursements. However, due to the Applicant's cash position, no professional fees have been paid since May 2022. In the course of the ongoing CCAA proceedings, including conducting the SISF, the unpaid professional fees of counsel to the Applicants, the Monitor and the Monitor's independent counsel have accrued to amounts that in aggregate exceed the amount of the current Administration Charge.

22. In view of the Applicants' current cash flow constraints, the Applicants respectfully request a \$200,000 increase in the Administration Charge (to \$700,000). The increase will better accommodate and more fully protect the reasonable fees and disbursements of the beneficiaries of the Administration Charge during the Extended Stay Period and through to the conclusion of a successful sale transaction.



SWORN BEFORE ME via video-conference with the deponent in the municipality of Lambton Shores, in the County of Lambton, and the Commissioner in the Town of Whitby, Ontario this 25<sup>th</sup> day of August, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:  
*Monica Faheim*

A979281452712A  
A Commissioner for taking Affidavits (or as may be)

**MONICA FAHEIM**

DocuSigned by:  
*Melinda Rombouts*

1EB54ETCC87841D...  
Melinda Rombouts

This is **Exhibit "A"** to the  
Affidavit of **MELINDA ROMBOUTS**  
Sworn on August 25, 2022

DocuSigned by:

*Monica Fakim*

A927328446B742A...

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A Commissioner, etc.

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 THE COMPROMISE OR ARRANGEMENT OF  
EVE & CO INCORPORATED, NATURAL MEDCO LTD., AND  
EVE & CO INTERNATIONAL HOLDINGS LTD.

Applicants

**AFFIDAVIT OF MELINDA ROMBOUITS**

**(Sworn March 23, 2022)**

I, Melinda Rombouts of the municipality of Lambton Shores, in the County of Lambton, in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS:**

**I. OVERVIEW**

1. I am the President and Chief Executive Officer ("**CEO**") of Eve & Co Incorporated ("**Eve & Co**"), as well as a member of the board of directors, having served in these positions since I founded the company in 2014.

2. I am also the CEO and a member of the board of directors of each of Eve & Co's two wholly-owned subsidiaries, Natural MedCo Ltd. ("**NMC**") and Eve & Co International Holdings Ltd. ("**Eve International**"). Eve & Co, NMC and Eve International are collectively the "**Applicants**" herein or the "**Eve Group**".

3. Prior to founding Eve & Co, I was the president, manager and owner of numerous large-scale businesses in the agricultural, food, real estate and pharmaceutical industries. I hold a B.A. and B.Sc. from the University of Waterloo with

specialization in Plant Biology and Microbiology, and I have completed various specialized training courses related to good manufacturing processes (“**GMP**”).

4. As the CEO of the Applicants, my primary responsibilities include managing the companies’ overall operations and resources, making strategic corporate decisions, and acting as the main point of contact between the board of directors and the senior management team.

5. As such, I have personal knowledge of the matters to which I depose in this affidavit, except where I have obtained information from others. Where I have obtained information from others, I have stated the source of my information and, in all such cases, believe such information to be true.

6. I swear this affidavit in support of, among other things, an application by the Eve Group for protection from its creditors pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”).

7. The Applicants are seeking an order (the “**Initial Order**”) approving:

(a) the DIP Term Sheet (as defined below), the DIP Loan (as defined below), the authority to borrow up to \$2,200,000, and a charge in favour of Deans Knight Private Credit GP Inc., as General Partner of Deans Knight Private Credit Limited Partnership, and DK Strategic Yield U.S. GP LLC, as General Partner of Deans Knight Strategic Yield Master Trust Limited Partnership (in this capacity the “**DIP Lender**”) of \$1,200,000 (the “**DIP Lender’s Charge**”);

(b) an administration charge of \$150,000 (the “**Administration Charge**”);

- (c) a directors' charge of \$150,000 (the "**Directors' Charge**" and together with the DIP Lender's Charge and the Administration Charge, the "**Priority Charges**"); and
- (d) an initial stay of proceedings to April 4, 2022 (the "**Stay Period**").

8. If the Initial Order is granted, the Applicants intend to return to Court on April 1, 2022 (the "**Comeback Hearing**") to seek the issuance of an order (the "**Amended and Restated Initial Order**") that would:

- (a) extend the Stay Period;
- (b) increase the amount of the Priority Charges as follows:
  - (i) the DIP Lender's Charge to \$2,200,000; and
  - (ii) the Administration Charge to \$500,000;
- (c) provide approval to make payment to certain critical suppliers for pre-filing expenses or to honour cheques issued to providers of goods and services prior to the Initial Order, with consent of the Monitor, which are necessary to facilitate the Applicants' ongoing operations and preserve value during the CCAA proceedings; and
- (d) approve a sale and investment solicitation process.

9. The Eve Group, through NMC as borrower and Eve & Co as guarantor, is in default of its obligations to its senior secured creditor, the Royal Bank of Canada ("**RBC**"). RBC has issued a demand for payment and notices of intention to enforce

security to NMC and a demand for payment to Eve & Co. RBC is prepared to work collaboratively with the Eve Group through this CCAA proceeding. To this end, RBC has entered into a forbearance agreement with NMC and Eve & Co, described in greater detail below, which includes provisions that will operate in the event that this Court grants the Initial Order.

10. The Eve Group, through NMC as borrower and Eve & Co, David Burch, and myself as guarantors, is also in default to its second ranking secured creditors, Brian Van Engelen and Joann Van Engelen.

11. For these reasons and the reasons set out herein, I do verily believe that the Applicants are insolvent and are companies to which the CCAA applies.

## **II. URGENT NEED FOR RELIEF**

12. The Eve Group is a licenced producer and distributor of cannabis flower, cannabis plants, and cannabis products, located in Strathroy, Ontario.

13. The Eve Group is insolvent, faces a severe liquidity crisis, and is in urgent need of relief under the CCAA.

14. Currently, the Applicants' ordinary course monthly cash expenditures exceed its cash receipts. Based on the Cash Flow Forecast (as defined below), the Applicants will have sufficient cash to sustain operations for the week ending March 25, 2022, including payroll, but will have insufficient funds thereafter without a draw under the DIP Loan.

15. The cannabis industry is nascent, highly regulated and has experienced rapid change. The uncertainty caused by these changes has created challenges for companies in the industry, including the ability to obtain investment or financing for operations and capital expenditures.

16. In the past year, the Applicants have suffered, among other things: a series of breached sales agreements that resulted in a loss of millions of dollars in expected annual revenue, along with the attendant spoilage of valuable unsold inventory that could not be salvaged; investments in partnerships that did not come to fruition; the forced eviction of a leaseholder operating from the NMC Facility (as defined below) for non-payment of rent and unacceptable operating practices; a breached share subscription; and a global pandemic.

17. The Eve Group's management team has made determined efforts to address its financial challenges including, among other things: engaging with numerous credit unions to secure additional financing; negotiating a significant share subscription with an equity investor; engaging an investment bank to explore potential options for a sale of the businesses; and seeking to monetize its cannabis Facility, as defined below, through partial leases and/or a sale and lease-back arrangement. Such efforts have so far proved unsuccessful.

18. Despite its recent material setbacks, the Eve Group has significant value as a going concern:

- (a) NMC owns approximately 32 acres of land in Strathroy, Ontario (the "**Property**") on which the Eve Group operates one of the largest cannabis

cultivation and processing facilities in the world at 1,000,000 square feet (the **“Facility”**);

- (b) Although the Facility is purpose built for cannabis production, it is easily adaptable to other agricultural crops. In terms of cannabis, the Facility meets European Union cannabis production specifications. It features an automated fertilization and irrigation system that recirculates and accurately monitors plant nutrients, precision environmental controls to optimize plant growth, and a unique, full-length butterfly roof to improve air circulation and ventilation;
- (c) NMC holds a Standard Cultivation Licence and Standard Processing Licence in Canada and is authorized to sell plants, seeds, dried and fresh cannabis, as well as cannabis derived products;
- (d) NMC holds a European Union Certificate of Good Manufacturing Practice (**“EU-GMP Certificate”**) permitting it to supply cannabis to the European medicinal cannabis market;
- (e) NMC has recently obtained its Control Union Medical Cannabis Standard GAP certification (**“CUMCS-GAP Certificate”**) permitting it to supply cannabis to the Israeli medicinal cannabis market;
- (f) The Eve Group’s domestic licences and global certifications allow it to operate in a highly regulated industry. As the Eve Group’s licences and certifications are non-transferable, their value is derived only by the Eve Group continuing as a going concern;



- (g) The Eve Group has broad, business-to-business sales channels domestically – in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Newfoundland, New Brunswick, and the Yukon; and
- (h) As one of the few, female-led cannabis companies, the Eve Group has formed strategic partnerships with well-established brands for female-focused cannabis 2.0 products.

19. However, given the imminent liquidity crisis, the Eve Group requires the breathing room afforded by the CCAA in order to stabilize its operations for the benefit of all of the stakeholders of the Eve Group – whether that is through debt financing, an equity infusion, and/or a sale of the businesses. I therefore believe that the CCAA provides the most appropriate forum for the Eve Group to restructure its affairs.

### **III. OVERVIEW OF THE APPLICANTS**

#### **A. Eve Group Background and Corporate Structure**

20. Eve & Co is a publicly traded company. It is listed for trading on the TSX Venture Exchange (“**TSX-V**”) under the trading symbol “EVE” and on the OTCQX Best Market in the United States under the symbol “EEVVF”. As at January 31, 2022, 31,931,195 shares of Eve & Co were issued and outstanding.

21. Eve & Co is a holding company. The Eve Group’s operations are substantially conducted through NMC, which owns the Property and holds the necessary licences and certifications, further described below. Attached as **Exhibit “A”** is a copy of the corporate organizational chart for the Eve Group.

22. The registered head office of each of Eve & Co, NMC, and Eve International is the NMC-owned Property located at 2941 Napperton Drive, Strathroy, Ontario.

23. NMC holds a cannabis licence under the *Cannabis Act*, S.C. 2018, c. 16 (the “**Act**”) and the Cannabis Regulations, SOR/2018-144 (the “**Regulations**”) for the cultivation, processing and sale of cannabis and cannabis extracts, edibles, and topicals (as amended from time to time, the “**Cannabis Licence**”). On April 28, 2020, NMC was issued an EU-GMP Certificate by the Government of Upper Bavaria, Germany. This EU-GMP Certificate permits the export of medical grade cannabis throughout the EU. On March 15, 2022, NMC was issued a CUMCS-GAP Certificate by Control Union Certifications, as recognized by the Israeli Medical Cannabis Agency. This permits the export of NMC medical-grade cannabis into Israel.

24. The Eve Group has incurred net operating losses for each of the past four years. During the nine months ended September 30, 2021, the Eve Group had incurred a net loss of \$2,136,163.00, and an accumulated deficit of \$28,392,789.00.

25. The Eve Group’s fiscal year end is December 31. The Eve Group’s last audited financial statements were prepared as at and for the year ending December 31, 2021.

## **B. Eve & Co**

26. Eve & Co was initially incorporated as Carlaw Capital V Corp. on June 6, 2014. Carlaw Capital V Corp. changed its name to Eve & Co in June 2018. Attached as **Exhibit “B”** is a copy of the corporation profile for Eve & Co. Eve & Co is a reporting issuer in Alberta, British Columbia, and Ontario.

27. On July 4, 2018, the common shares of Eve & Co commenced trading on the TSX-V under the symbol “EVE” and as of June 21, 2019, on the OTCQX Best Market in the United States under the symbol “EEVVF”.

28. Eve & Co is the direct owner of NMC and Eve International.

### **C. NMC**

29. NMC was created on June 28, 2018 by an amalgamation of 1600978 Ontario Inc. (“**160 Ontario**”) and 2628385 Ontario Inc. (“**262 Ontario**”). Attached as **Exhibit “C”** is a copy of the corporation profile for NMC. Attached as **Exhibit “D”** is a copy of the Articles of Amalgamation for NMC.

30. 160 Ontario was incorporated on February 2, 2005, in Ontario. 262 Ontario was incorporated on April 3, 2018, in Ontario.

### **D. Eve International**

31. Eve International was incorporated on April 8, 2019, in Ontario. I am the sole director of Eve International. Attached as **Exhibit “E”** is a copy of the corporation profile for Eve International.

32. Eve & Co and Eve International together own 100% of Eve Med Solutions S. A., a corporation incorporated pursuant to the laws of Romania. Eve International also owns 17.5% of GreenEve-Plus, Lda., a corporation incorporated pursuant to the laws of Portugal.

33. Eve International was incorporated to expand the Eve Group's international partnerships. As discussed below, the expected benefits of those international partnerships did not materialize.

34. Eve International has no assets of value or liabilities and has no ongoing operations. As further explained this affidavit, the company was integral to the Eve Group's expansion efforts in Portugal and Romania and was a participant in two unsuccessful foreign joint venture agreements and related arrangements. Eve International seeks CCAA protection on the basis of its affiliate company relationship with Eve Group entities NMC and Eve & Co, and in order to ensure that the CCAA stay of proceedings sought is most effective.

#### **E. The Business**

35. The Eve Group is a wellness company in the business of delivering female-oriented cannabis and cannabis products to the Canadian and international markets. The Eve Group – through NMC – is one of the only female-founded and female-led licenced producers of cannabis in the market, with women comprising over 70% of the Eve Group's management and supervisor roles and 65% of its workforce.

36. The principal activities of the Eve Group are the production, distribution and sale of cannabis products through diverse sales channels:

- (a) Provincial Sales – the Eve Group engages in sales of adult-use (i.e. recreational) dried flower and female-focused cannabis 2.0 products to authorized distributors and retailers throughout British Columbia, Alberta,

Saskatchewan, Manitoba, Ontario, Newfoundland, New Brunswick, and the Yukon.

- (b) Wholesale – the Eve Group engages in wholesale sales of its cannabis flower and trim to other Cannabis Licence holders across Canada. The Eve Group additionally leverages the good manufacturing practices, automated packaging system, and large production capacity of its Facility to offer high quality, cost effective white label solutions for other Cannabis Licence holders and cannabis brands.
- (c) Strategic Partnerships – the Eve Group has secured strategic partnerships with well-established brands for female-focused cannabis 2.0 products, including cannabis-infused beverages, wellness and beauty products.
- (d) International Medicinal Market – the Eve Group has supply agreements with distributors of medicinal cannabis in Germany, Australia and Israel. It is only because NMC holds an EU-GMP Certification, and now holds a CUMCS-GAP Certificate, that the Eve Group is able to enter these international markets. The German market alone presents significant opportunity for the Eve Group. As set out in **Exhibit “F”**, market analytics indicate that the number of medicinal cannabis patients in Germany will exceed 1 million by 2024, and the value of the medicinal cannabis market will be €7.7 billion by 2028. The Eve Group continues to receive approvals from German authorities to import additional strains of its cannabis into the country. The receipt of the CUMCS-GAP Certification is a key business milestone for the Eve Group, as Israel is presently the largest importer of cannabis in the world. While the CUMCS-

GAP Certification was delayed due to the COVID-19 pandemic, it opens up numerous new opportunities for the Eve Group and permits it to capitalize on already established relationships in Israel.

37. In 2020 and 2021, NMC's sales breakdown by Ontario sales, domestic sales (meaning Canadian sales outside of Ontario), and foreign sales, was as follows:

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
<b>Provincial</b>	466,416	202,643	694,462	742,538	1,214,646	1,180,746	1,124,461	357,910
<b>Domestic</b>	-	1,122,814	80,987	322,012	1,087,227	91,947	204,573	291,718
<b>Foreign</b>	-	-	-	183,600	169,650	274,950	1,298,700	722,385
<b>Total Revenue</b>	<b>466,416</b>	<b>1,325,457</b>	<b>775,449</b>	<b>1,248,240</b>	<b>2,471,523</b>	<b>1,547,644</b>	<b>2,627,734</b>	<b>1,372,013</b>
<b>Provincial %</b>	100%	15%	90%	59%	49%	76%	43%	26%
<b>Domestic %</b>	0%	85%	10%	26%	44%	6%	8%	21%
<b>Foreign %</b>	0%	0%	0%	15%	7%	18%	49%	53%

## F. The Facility

38. In 2005, David Burch and I purchased the Property through 160 Ontario. At the time, the predecessor company to NMC was in the business of growing and selling flowers.

39. In 2016, the Eve Group began growing cannabis pursuant to the Cannabis Licence in the Facility, which was at that time a 120,000 square foot greenhouse located on the Property.

40. The Facility was expanded to 220,000 square feet in 2017.

41. In 2019, the Eve Group expanded the Facility to approximately 1,000,000 square feet. With capacity to produce up to 50,000kg of cannabis per year, the Facility is one of the largest of its kind in the world.

## **G. Cannabis Licences**

### ***i) Canadian Cannabis Licence***

42. NMC applied for a licence to grow cannabis for medicinal use in or around 2013. It was not until July 22, 2016 that NMC received its Licence to produce, possess, ship, transport, deliver, and destroy dried cannabis and cannabis plants, including live clippings and seeds under the federal Marihuana for Medical Purposes Regulations, SOR/2013-119. The Cannabis Licence was subsequently transitioned to the Access to Cannabis for Medical Purposes Regulations on August 24, 2016.

43. On June 22, 2018, Health Canada amended the Licence to authorize the sale of dried and fresh cannabis products to provincial retailers and distributors, and authorized NMC's second packaging room as an operations area and second flowering room as a grow area.

44. The Cannabis Licence was amended again on December 16, 2019 to permit the use of a third flowering room to be added to the Facility as a grow area.

45. The Cannabis Licence was amended a third time on July 17, 2020 to permit the sale of cannabis extracts, edibles, and topicals.

46. The Cannabis License currently expires July 6, 2023. Attached as **Exhibit "G"** is a copy of the Cannabis License.

47. NMC must apply for and obtain renewal of the Cannabis Licence prior to the July 6, 2023 expiry date in order to continue carrying on the activities permitted by the

Cannabis Licence, which activities are the core of the Eve Group's business. Without the Cannabis Licence, the Eve Group could not carry on its business.

48. The Cannabis Licence permits NMC to undertake the following activities at the Property:

- (a) possess cannabis;
- (b) obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis;
- (c) sell cannabis in accordance with subsection 11(5) of the Regulations;
- (d) for the purpose of testing, obtain cannabis by altering its chemical or physical properties by any means;
- (e) produce cannabis, other than by cultivating, propagating or harvesting it; and
- (f) sell cannabis in accordance with subsection 17(5) of the Regulations.

49. The Cannabis Licence is subject to the following conditions:

- (a) NMC must meet the requirements set out in the Health Canada document entitled "Mandatory cannabis testing for pesticide active ingredients";
- (b) The only cannabis products that NMC may sell or distribute to (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants, cannabis plant seeds, dried cannabis, fresh cannabis, cannabis oil, cannabis topicals, cannabis extracts and edible cannabis; and



- (c) The only cannabis products that NMC may send or deliver to the purchaser at the request of (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants, cannabis seeds, dried cannabis, fresh cannabis, cannabis oil, cannabis topicals, cannabis extracts and edible cannabis.

50. As of today's date, Health Canada has not expressed any material issues or concerns with respect to NMC's compliance with the Act, the Regulations, or the conditions under the Cannabis Licence.

**ii) Excise Cannabis Licence**

51. NMC obtained its Cannabis Licence under the *Excise Act, 2001* (Canada) effective on October 17, 2020 (the "**Excise Cannabis Licence**"). Attached hereto and marked as **Exhibit "H"** is a copy of the Excise Cannabis Licence.

52. The expiry date for the Excise Cannabis Licence is October 12, 2022. In order to renew the Excise Cannabis Licence, NMC must satisfy its statutory obligations under the *Excise Act, 2001* and the conditions under the Excise Cannabis Licence.

**iii) EU-GMP Certificate**

53. On April 28, 2020, NMC was issued an EU-GMP Certificate by the Government of Upper Bavaria, Germany, a copy of which is attached as **Exhibit "I"** hereto.

54. An EU-GMP certificate is issued on the basis of a completed Good Manufacturing Processes inspection, and continued follow-up inspections, of a

manufacturer operating in accordance with the EU GMP regulations. An EU-GMP Certificate is issued to a specific site (i.e. the Facility) and refers to one specific address (i.e. the Property) – it is non-transferable.

55. The granting of the EU-GMP Certificate was a result of the robust efforts the Eve Group undertook to ensure its manufacturing standards, production practices and products are of a consistent high quality and that its employees have the experience to satisfy the EU-GMP requirements. To my knowledge, NMC is one of only a handful of Canadian companies that has received EU-GMP certification for cannabis.

56. The EU-GMP certification enables the Eve Group to continue its global growth strategy and fulfill its contracts in the EU market.

**iv) CUMCS-GAP Certificate**

57. On March 15, 2022, NMC received notice that it had been issued its CUMCS-GMP Certificate, a copy of which is attached as **Exhibit “J”**. The CUMCS-GMP Certificate is dated March 9, 2022 and is valid until March 8, 2023.

58. The CUMCS-GAP is a leading certification standard for medical cannabis certification globally. CUMCS-GAP is a recognized and accepted program by the Israeli Medical Cannabis Agency for all imports of medical cannabis into Israel, and the Certificate declares that NMC’s activities comply with the:

- (a) Control Union Medical Cannabis Standard;
- (b) World Health Organization (WHO) guidelines on GAP and good agricultural and collection practices for medicinal plants;

- (c) WHO guidelines for assessing quality of herbal medicines with reference to contaminants and residues;
- (d) European Medical Agency Guideline on GAP and GACP for Herbal Medical Products;
- (e) Guidelines of the Dutch Government for cannabis for Medical Use;
- (f) International Standard for Good Agricultural Practices; and
- (g) Israeli Medical Cannabis Agency (IMCA) Good Agricultural Practices.

59. The CUMCS-GAP certification further enables the Eve Group to continue its global growth strategy. The Eve Group currently has three supply agreements with distributors of medicinal cannabis in Israel.

#### **H. Employees**

60. NMC employs 43 employees on an hourly basis, in addition to six management level employees, including myself, who are full-time salaried employees. All employees work at the Facility.

61. I am the only employee of Eve & Co. Eve International has no employees.

62. NMC's employees are paid bi-weekly in arrears. All payments to hourly employees are current based on the payroll schedule, save that I have not taken my most recent bi-weekly salary payment.

63. So as to aid Eve Group’s liquidity, I have postponed taking my salary from mid-August 2021 through to the end of December 2021. I have received four, bi-weekly salary payments in 2022.

64. The Eve Group does not have any employees that are unionized or otherwise party to a collective agreement in connection with their employment with the Eve Group.

65. The Eve Group does not sponsor, administer, or otherwise have any registered or unregistered pension plans for its employees. NMC provides a standard group benefit plan to its employees that covers extended health care, dental care, life insurance, and accidental death and dismemberment insurance.

## **V. FINANCIAL CIRCUMSTANCE AND CASH FLOW FORECAST**

66. Eve & Co has a fiscal year-end of December 31. Attached as **Exhibits “K”** and **“L”** are Eve & Co’s Consolidated Audited Year End Financial Statements from 2020 and unaudited consolidated financial statements for the nine months ending September 30, 2021, respectively.

### **A. Assets**

67. According to the Audited 2020 Year End Consolidated Financial Statements and the unaudited September 30, 2021 Interim Financial Statement (collectively, the **“Financial Statements”**), as at September 30, 2021, the assets of the Eve Group were as follows:

	September 30, 2021 (unaudited)	December 31, 2020 (audited)
<b>Current Assets</b>		
Cash	\$288,653	\$517,644
Other Receivables and Prepaid Expenses	\$527,758	\$702,484
Accounts Receivable	\$907,888	\$856,718
Biological Assets	\$486,670	\$1,070,507
Inventory	\$10,255,874	\$8,083,934
<b>Total Current Assets</b>	<b>\$12,466,825</b>	<b>\$11,231,287</b>
<b>Non Current Assets</b>		
Property, Plant and Equipment	\$37,929,490	\$39,208,171
<b>Total Assets</b>	<b>\$50,396,315</b>	<b>\$50,439,458</b>

### **B. Liabilities**

68. According to the Financial Statements, as at September 30, 2021 and December 30, 2020, the liabilities of the Eve Group were as follows:

	September 30, 2021 (unaudited)	December 31, 2020 audited)
<b>Current Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$8,235,709	\$7,257,875
Deferred Revenue	\$853,298	-
Promissory Notes	\$965,850	\$934,875
Loans and Borrowings	\$17,779,891	\$18,494,245
<b>Total Current Liabilities</b>	<b>\$27,834,748</b>	<b>\$26,686,995</b>
<b>Non Current Liabilities</b>		
Loans and Borrowings	\$1,461,181	\$936,142
<b>Total Liabilities</b>	<b>\$29,295,929</b>	<b>\$27,623,137</b>

### C. Cash Flow Forecast

69. The Eve Group, with the assistance of the proposed Monitor has prepared a projected 23-week cash flow forecast (the “**Cash Flow Forecast**”) for the period ending August 27, 2022. Attached as **Exhibit “M”** is a copy of the Cash Flow Forecast.

70. Pursuant to the Cash Flow Forecast, the Applicants will have sufficient liquidity to sustain operations for the week ending March 25, 2022, including payroll, but will have insufficient funds thereafter.

## VI. CREDITORS OF THE EVE GROUP

### A) Secured Creditors

#### i) *Royal Bank of Canada*

71. Royal Bank of Canada is the Eve Group’s senior secured creditor. NMC, as borrower, and Eve & Co, as guarantor, entered into a Loan Agreement with RBC, as lender, on March 12, 2019 and accepted on March 18, 2019, that was subsequently amended and restated by way of Loan Agreement dated June 11, 2020 and accepted on June 22, 2020 (as further amended, the “**RBC Credit Agreement**”). The RBC Credit Agreement resulted in the advance of monies under the following credit facilities:

- (a) A non-revolving term loan in the amount of \$18, 595,102.40 (the “**RBC Loan**”); and
- (b) A Business Card Visa facility with a credit limit of \$25,000.

Attached as **Exhibit “N”** is a copy of the RBC Credit Agreement.

72. The RBC Loan was advanced on December 31, 2019.

73. The purpose of the RBC Loan was to finance the construction of the 780,000 square foot expansion of the Facility.

74. The RBC Credit Agreement included a covenant from NMC to maintain a debt service coverage ratio of not less than 1.25:1 (the “**Ratio**”).

75. As security for the RBC Credit Agreement, NMC agreed to provide RBC with a collateral mortgage in the amount of \$25,000,000 over the Property, constituting a first charge on the Property. Attached as **Exhibit “O”** is a copy of the charge and a title abstract of the NMC Property evidencing its registration.

76. As additional security for the funds advanced under the RBC Credit Agreement, Eve & Co agreed to guarantee NMC’s obligations thereunder and also agreed to postpone Eve & Co’s claims against NMC in favour of RBC’s claims.

77. David Burch and I also postponed and assigned our claims against NMC in favour of RBC.

78. By letter dated April 9, 2021, RBC provided notice of NMC’s default under the RBC Credit Agreement due to NMC’s failure to pay municipal realty taxes on the Property and for HST arrears. RBC also advised of its concerns with NMC’s failure to keep critical suppliers current, and notified NMC that BDO had been retained as RBC’s financial advisor. Attached as **Exhibit “P”** is a copy of the April 9, 2021 letter.

79. By letter dated May 13, 2021, RBC provided notice of NMC's continued default under the RBC Credit Agreement, and confirmed the terms of payments to be made in respect of the RBC Loan. Attached as **Exhibit "Q"** is a copy of the May 13, 2021 letter.

80. By letters dated August 4, 2021 and November 12, 2021, RBC provided notice of further defaults by NMC under the RBC Credit Agreement. Attached as **Exhibits "R"** and **"S"** are copies of the August 4, 2021 and November 12, 2021 letters, respectively.

81. NMC is currently in default of the RBC Credit Agreement as a result of:

- (a) being insolvent;
- (b) failing to make the monthly payment due February 28, 2022 and is in arrears in the amount of \$285,145.64, which amount includes certain professional fees of RBC's legal counsel and BDO, as financial advisor (the **"Bank Arrears"**);
- (c) failing to maintain the Ratio required under the RBC Credit Agreement;
- (d) failing to fulfil all reporting requirements under the RBC Credit Agreement;
- (e) being in substantial arrears of payments to Hydro One Networks Inc. which have now been cleared and failing to pay arrears owing to Enbridge Gas Inc., which amount to \$346,360.00 as at March 3, 2022;
- (f) being in breach of NMC's Master Factoring Agreement with Capital Now Cannabis, with obligations due to Capital Now Cannabis thereunder estimated to be in the sum of \$160,622.00 as at March 3, 2022;



- (g) owing substantial arrears to CRA, as follows:
- (i) Arrears of HST totalling \$281,397 as at March 3, 2022;
  - (ii) Arrears of Excise Duties totalling \$1,434,051 as at March 3, 2022;  
and
  - (iii) Arrears of employee deductions at source totalling \$166,132 as at March 3, 2022.

82. On March 22, 2022, RBC and NMC entered into a forbearance agreement (the “**Forbearance Agreement**”). Per the terms of the Forbearance Agreement:

- (a) RBC granted NMC a period of forbearance between the date of the Forbearance Agreement and September 15, 2022 to complete this CCAA proceeding and to repay NMC’s indebtedness to RBC in full;
- (b) A forbearance fee of \$125,000 is due and owing from NMC to RBC upon completion of the CCAA proceedings;
- (c) NMC agreed to pay all of the Bank Arrears, plus the fees paid by RBC to its counsel and to BDO, as financial advisor, through proceeds advanced under the DIP Loan;
- (d) NMC agreed to pursue the SISF (as described below);
- (e) NMC agreed to keep current all post Initial Order priority claims, meaning deemed trusts and other claims ranking in priority to RBC; and
- (f) The Forbearance Agreement terminates on September 15, 2022. Attached as **Exhibit “T”** is a copy of the executed Forbearance Agreement.

83. Concurrent with the execution of the Forbearance Agreement, RBC issued a demand for payment of NMC's indebtedness to RBC of \$17,596,780.18, as at March 22, 2022, and a Notice of Intention to Enforce Security pursuant to section 244(1) of the *Bankruptcy and Insolvency Act* and Notice of Intent by Secured Creditor pursuant to section 21 of the *Farm Debt Mediation Act* to NMC, and a demand for payment to Eve & Co as guarantor.

**ii) Van Engelen Loan**

84. Brian Van Engelen and Joann Van Engelen (collectively, the "**Van Engelen**"), as lenders, NMC, as borrower, and Eve & Co., David Burch, and myself as guarantors, entered into a Loan Agreement dated December 21, 2020 (the "**Van Engelen Loan Agreement**") pursuant to which the Van Engelens agreed to loan NMC up to \$1,000,000 (the "**Van Engelen Loan**"). Attached as **Exhibit "U"** is a copy of the Van Engelen Loan Agreement.

85. The Van Engelen Loan consists of two facilities. The first facility, totalling \$500,000, was advanced on closing. The second facility for the balance, being \$500,000, was available upon request and was ultimately drawn on February 5, 2020.

86. The Van Engelen Loan matures on December 31, 2022. Interest on both facilities was 15% per annum payable monthly between January 1, 2021 and December 31, 2021 ("**Year One**"), and is 11% per annum payable between January 1, 2022 and December 31, 2022 ("**Year Two**"). Both facilities are "interest only" loans for Year One. Outstanding principal and interest are to be paid in monthly installments in Year Two.

87. As evidence of the Van Engelen Loan, NMC and Eve & Co have each provided promissory notes to the Van Engelens, dated December 29, 2020 (the “**Van Engelen Promissory Notes**”). Copies of the Van Engelen Promissory Notes are attached as **Exhibit “V”**.

88. NMC and Eve & Co have also granted the Van Engelens a security interest over all of their personal property pursuant to general security agreements, dated December 29, 2020 (the “**Van Engelen GSAs**”). The Van Engelen GSAs have a second-ranking charge over the personal property of NMC and Eve & Co. Attached as **Exhibit “W”** are copies of the Van Engelen GSAs.

89. As additional security for the amounts advanced under the Van Engelen Loan, NMC granted the Van Engelens a second ranking charge against the Property in the amount of \$1,200,000.00 (the “**Van Engelen Charge**”). Attached as **Exhibit “X”** is a copy of the Van Engelen Charge.

90. David Burch and I have also provided personal guarantees of NMC’s indebtedness to the Van Engelens each in the amount of \$500,000.00. Attached as **Exhibit “Y”** are copies of the personal guarantees provided by David Burch and myself.

91. NMC has not made the required payments under the Van Engelen Loan since February 2022 and is accordingly in default of the terms of the Van Engelen Loan.

**iii) Salt Capital Inc. o/a Capital Now Cannabis**

92. NMC, as seller, and 2355097 Alberta Ltd. o/a Capital Now Cannabis (“**CNC**”), as factoring agent, entered into a Master Factoring Agreement on July 12, 2021 (“**MFA**”)

pursuant to which CNC agreed to purchase certain acceptable accounts receivable from NMC at 95% of face value. Attached as **Exhibit “Z”** is a copy of the MFA.

93. The purpose of the MFA was to finance NMC’s receivables and provide working capital. Under the MFA, CNC would buy “Acceptable Accounts”, as defined in the MFA, at 95% of the account’s face value.

94. As security for the amounts paid by CNC, NMC granted CNC a security interest in all of NMC’s present and after acquired personal property, including accounts receivable, pursuant to a general security agreement, dated July 12, 2021 (the “**CNC GSA**”). Attached as **Exhibit “AA”** is a copy of the CNC GSA.

95. As of March 3, 2022, NMC is currently in arrears to CNC in the amount of \$160,622.

**B) Other PPSA Creditors**

96. In addition to the secured creditors described above:

(a) Trisura Guarantee Insurance Company has a registration under the *Personal Property Security Act* (“**PPSA**”) against both Eve & Co and NMC with respect to agreements to lease equipment; and

(b) Meridian Onecap Credit Corp. has a registration under the PPSA against NMC with respect to agreements to lease office equipment.

97. There are no PPSA registrations against Eve International.

98. Attached hereto and marked as **Exhibit “BB”** are true copies of the Personal Property Registry search results for each of the Applicants for British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Newfoundland, New Brunswick, and the Yukon (collectively the **“PPR Searches”**).

99. Attached hereto and marked as **Exhibit “CC”** is a summary of the PPR Searches. There are no registrations outside of Ontario.

**C) Other Creditors**

**i) Property Taxes**

100. NMC’s typical annual property taxes of approximately \$15,000 per year have been paid. Recently, NMC received property tax bills of approximately \$400,000, which I understand is an error that is to be corrected. I am advised by the Township of Adelaide-Metcalf that the Municipal Property Assessment Corporation (MCAP) performed a periodic assessment of the Property, and discovered (only now) that, in February 2019, 160 Ontario had registered its name change to NMC on title to the Property. As a result, for reasons I do not understand, the Property was assessed by MCAP as a 1,000,000 square foot residential home. I have spoken with the Township and understand that this error will be corrected in due course. Attached as **Exhibit “DD”** is a copy of the current property tax bill.

**ii) Source Deductions, Excise Duty, and HST**

101. As of March 16, 2022, NMC owes approximately \$195,418 to CRA in respect of unremitted Employment Insurance and Canada Pension Plan deductions.

102. Further, as of March 3, 2022, NMC is in arrears to CRA for excise tax remittances in the amount of \$1,434,051.

103. NMC also owes CRA \$275,358 for unpaid HST as of March 3, 2022.

104. As of March 16, 2022, NMC also owes the Workplace Safety and Insurance Board of Ontario Workplace Safety and Insurance Board premiums of \$51,737.

**iii) Trade Creditors**

105. NMC incurs obligations in the ordinary course of business to various trade creditors. As at March 3, 2022, the largest trade creditor is Universal Fabricating, the builder of the Facility, who is owed approximately \$3,700,000.

106. As at March 3, 2022, NMC is in arrears to Enbridge Gas Inc. in the amount of \$346,360.

**iv) Notes Payable**

107. 262 Ontario, a predecessor to NMC as discussed above, entered into two identical promissory notes with David Burch and I on June 14, 2018, each in the principal sum of \$488,000 and bearing interest at the rate of 5% per annum, calculated monthly (the “**Promissory Notes**”).

108. On March 29, 2019, \$150,000 of the total amount owing under the Promissory Notes was repaid, as per the terms of the Promissory Notes.

109. David Burch and I agreed to subordinate the Promissory Notes to the RBC Loan upon entering into the RBC Credit Agreement.

110. The balance of the Promissory Notes remains outstanding. As at September 30, 2021, the amount owing to Mr. Burch and myself is \$826,000 of the principal amount and \$139,850 of accrued interest.

**v) *Litigation***

111. On May 10, 2021, Hydro One Networks Inc. (“**Hydro One**”) commenced an action in the Superior Court of Justice of Ontario against NMC for \$853,644.99 arising out of unpaid utility bills. NMC entered into a settlement agreement with Hydro One on July 16, 2021 to resolve the action. Attached as **Exhibit “EE”** is a copy of the settlement agreement. The settlement has been completed and I understand from counsel for the Eve Group that the Hydro One action will be discontinued or dismissed.

112. The Eve Group is not involved in any other active litigation.

**vi) *Debentureholders***

113. On December 11, 2020, Eve & Co issued debentures in the aggregate amount of \$550,000 to six debentureholders. As discussed below, on February 17, 2022, Eve & Co closed a transaction whereby all of the debentureholders, with two exceptions, exchanged their debentures for shares in Eve & Co.

114. As of March 22, 2022, one debentureholder, holding debentures bearing a face value of \$50,000, remains outstanding. The debentures held by the debentureholder consist of a \$50,000 total principal amount which matures two years from the date of issue and bears interest at 10% per annum. First year interest was paid in January 2022 with additional interest due December 31, 2022. The debenture itself comes due on December 31, 2022.

115. I am also owed approximately \$22,000 in interest on a debenture which I held until February 17, 2022, when my debenture was converted to equity.

## **VI. CHALLENGES AND LIQUIDITY ISSUES FACED BY THE APPLICANTS**

116. The Eve Group has faced a number of challenges which have affected its profitability and liquidity, including:

- (a) being a growing company in a developing industry that has faced a number of challenges, including:
  - (i) restrictive and continually changing regulation at all levels of government;
  - (ii) government delays in licencing;
  - (iii) an oversaturated market; and
  - (iv) the Ontario government's inefficient and ineffective introduction and management of retail sales at the provincial level;
- (b) failed supply agreements in Germany and Australia, described below, which resulted in a loss of expected cash flow as well as wasted expenses and inventory that could not be salvaged;
- (c) investments in partnerships with foreign entities that failed to deliver the expected revenue and market opportunities, described below;
- (d) significant debt taken on to finance the expansion of the Facility which has not produced the expected returns; and



- (e) as detailed below, the eviction of a lessee from the Facility for non-payment of rent and other breaches causing NMC to lose a meaningful source of revenue.

#### **A. Cannabis Market in Canada**

117. The Canadian cannabis industry is an extremely challenging operating environment. The industry is highly regulated, highly taxed, and subject to ever-changing legislation and delays at all levels of government.

118. NMC was granted a cannabis cultivation licence by Health Canada in August 2016, but was not licenced to *sell* cannabis until June 2018. As such, it was not possible for NMC to realize any revenue from the sale of cannabis, and see any returns on its investments in its infrastructure, for an almost two year period. Then, in October 2018, an unexpected and sudden change in legislation required the Eve Group to reapply to each Province in which it sought to sell its products.

119. While NMC is licenced to cultivate and sell to other licenced cannabis producers cannabis for medicinal use, it is still not licenced to sell medicinal cannabis directly to patients in Canada.

120. Further, the confused and complicated roll out of the cannabis retail system in Ontario – the largest domestic cannabis market – added uncertainty and complication to the Eve Group’s operations. In September 2017, the Ontario government announced that a Provincial crown corporation would control all brick-and-mortar and online retail sales of cannabis in the Province. By October 2018, the Province instead decided to

control only the online retail sales of cannabis and permit private retail stores. However, only 25 licences were granted for private retail stores.

121. As a result, cannabis retail in Ontario is dominated by the government-owned Ontario Cannabis Store (the “OCS”). The Eve Group has faced difficulty having new products accepted for sale by the OCS. The Eve Group has made significant investments in researching and developing female-oriented cannabis 2.0 products with strategic partners, such as beauty products, wellness products, and a cannabis infused beverage, but the OCS has not yet approved any of these products for sale through its website.

122. These factors have been exacerbated by the increased costs and operating challenges arising from the ongoing global COVID-19 pandemic over the last two years.

## **B. The Costly Facility Expansion**

123. In anticipation of significant increases in sales volumes, including on account of anticipated supply agreements being negotiated with foreign importers of medicinal cannabis (as described below), the Eve Group undertook a 780,000 square foot expansion of the Facility in mid-2018.

124. The total cost of the Facility expansion was approximately \$42,000,000. The cost of the expansion was partially funded by the RBC Loan, discussed above, with the balance financed by the Eve Group. The final cost of the Facility expansion was within 10% of the original budget.

125. The Facility expansion took one year to complete, which was about four months longer than anticipated as construction was held up by poor weather and delays in obtaining various municipal approvals.

126. However, as a result of numerous external factors, the Eve Group's utilization of the expanded, 1,000,000 square foot Facility has never been above 20% - a level of production that does not cover the debt service costs of the expansion.

127. First, Health Canada did not grant an amendment to the Cannabis Licence to permit the Eve Group to utilize the expanded portion of the Facility until December 2019, so the new space sat idle for six months. Second, by 2020, there was a dramatic increase in the number of licenced producers of cannabis for non-medicinal (i.e. recreational) uses, a development that oversaturated the market. This led to an unprecedented level of competition among suppliers that drove down prices and profit margins. Third, as discussed below, the Eve Group's supply agreements have not resulted in the sales volumes anticipated.

### **C. Unfulfilled German Supply Agreement**

128. On April 1, 2019, the Eve Group entered into a supply agreement with a German importer of medicinal cannabis, Bavaria Weed GmbH ("**Bavaria**"), for the sale to Bavaria of between 1,000 and 5,500 kilograms of NMC's cannabis, per month, for an initial term of two years, at a price of \$6.00/gram (the "**Bavaria Agreement**"). Attached as **Exhibit "FF"** is a copy of the Bavaria Agreement. This would have resulted in sales by the Eve Group of between \$6,000,000 and \$30,000,000 per month.

129. The Bavaria Agreement required Bavaria to issue monthly purchase orders to the Eve Group, and that the orders for the first two months of the term of the agreement would be for 500 kg of product each month.

130. Following the execution of the Bavaria Agreement, it took a year for NMC to obtain its EU-GMP Certificate and another six months to obtain quality assurance approval of NMC's cannabis from the German scientific authority.

131. On November 3, 2020, Bavaria issued NMC its first purchase order under the Bavaria Agreement, for 30,995 grams of dried cannabis flower at the price of \$6.00/gram (the "**2020 Purchase Order**"). NMC fulfilled the 2020 Purchase Order notwithstanding that it fell below the 500 kg minimum order in order to realize the revenue.

132. Bavaria failed to issue any purchase orders for the next three months. On March 18, 2021, Bavaria issued a purchase order to NMC for approximately 598 kg of dried cannabis flower, at the price of \$2,932,567 (the "**2021 Purchase Order**"). The discounted price of \$4.90/gram was offered by NMC on the condition that Bavaria would place a deposit and would apply for a German import permit immediately. The 2021 Purchase Order provided that Bavaria would apply for an import permit the week of March 15, 2021. For the prior, 2020 Purchase Order, Bavaria had obtained the necessary import permit, so NMC did not anticipate any problems. For six months, however, the Eve Group waited for the import permit to be issued so it could deliver the product that was ordered March 18, 2021, which was already packaged and certified for export. In September 2021, the Eve Group learned that Bavaria had never applied for the import permit required for the 2021 Purchase Order.

133. In an attempt, I believe, to avoid its contractual obligations due to its own commercial challenges, Bavaria then inspected NMC's Facility and product in Canada and declared them to be unsatisfactory (contrary to the positive results of 12 official EU-GMP inspections of the Facility conducted in 2021). The Eve Group's dispute with Bavaria remains outstanding. I understand from counsel to the Eve Group that there is a potential claim against Bavaria for failing to meet the minimum purchase volumes under the supply agreement.

#### **D. Unfulfilled Australian Supply Agreements**

134. In November 2021, the Eve Group secured a supply agreement with a medicinal cannabis importer in Australia, TCann Pty Ltd ("**TCann**"), with an initial term of three years and a commitment for a minimum purchase volume each month.

135. In December 2021, the Eve Group exported its first shipment of cannabis to TCann. The product was supposed to be stored at temperatures of between 15 and 25 degrees Celsius at all times. Instead, the product was left outdoors at the airport in Australia in temperatures of over 40 degrees for four days, resulting in a degradation of quality. As a result, TCann has, to date, refused to take any further shipments from the Eve Group and has failed to perform under the supply agreement.

136. The Eve Group had already prepared two orders of cannabis for TCann, which, due to already being packaged in accordance with the Australian government and distributor requirements, cannot be resold to another customer. I understand from counsel to the Eve Group that there is a potential claim against TCann for failing to meet the minimum purchase volumes under the supply agreement.

## E. Unsuccessful Foreign Joint Ventures

137. In 2019, the Eve Group entered into joint ventures with two European companies in an effort to further diversify its revenue sources and expand its global presence.

### *i) Joint Venture in Romania*

138. On June 6, 2019, Eve & Co entered into a letter of intent with Grey Matter SRL (“**Grey Matter**”), a corporation incorporated under the laws of Romania, whereby Eve & Co and Grey Matter agreed to create a company in Romania that would cultivate medical cannabis for sale in Romania and throughout the EU (the “**Romania LOI**”). Attached as **Exhibit “GG”** is a copy of the Romania LOI.

139. Pursuant to the Romania LOI, the Eve Group was to incorporate a new company in Romania, provide cultivation and production expertise, genetics, and assist in setting up the Romanian growing facility. Grey Matter was to supply the land on which to construct the production facility and operate the business.

140. Pursuant to the Romania LOI, the Eve Group incorporated Eve Med Solutions S. A. pursuant to the laws of Romania (“**Romania Co**”). The shares of Romania Co were held by Eve International.

141. The Romania LOI contemplated that 87.5% of the issued and outstanding shares of Romania Co would be transferred to Grey Matter for nominal consideration upon two milestones being satisfied.

- (a) Romania Co being granted a medical cannabis cultivation licence by the government of Romania (the “**Licence Milestone**”); and

- (b) Romania Co securing all necessary approvals and permits, including applicable building permits, to enable it to construct a cannabis cultivation facility in Romania (the “**Building Permit Milestone**”).

142. Under the Romania LOI, Grey Matter was to take all steps and incur all expenses towards satisfying both milestones. Neither the Licence Milestone nor the Building Permit Milestone were ever satisfied. I believe that Grey Matter ultimately could not secure the resources to proceed with the joint venture. As a result, no shares of Romania Co were transferred out of Eve International.

143. The Romania Co subsidiary has never provided any revenue to the Eve Group. Romania Co has no employees, assets or liabilities.

*ii) **Joint Venture in Portugal***

144. On October 3, 2019, the Eve Group entered into an Amended and Restated Letter of Intent with Onon B.V.S. Advisors, Lda, a corporation incorporated under the laws of Portugal (“**Onon**”), whereby the Eve Group and Onon agreed to create a company in Portugal that would cultivate medical cannabis for sale in Portugal and throughout the EU (the “**Portugal LOI**”). Attached as **Exhibit “HH”** is a copy of the Portugal LOI.

145. Per the Portugal LOI, the Eve Group was to provide cultivation and production expertise, genetics, and assist in setting up the Portuguese growing facility. Onon was to incorporate a new company in Portugal, obtain the land for a facility, obtain all necessary licences and permits, and bear all costs and expenses related to the acquisition of the land and the licences.

146. Required licences included a licence for the cultivation of cannabis in Portugal, the import of cannabis into Portugal, and the export of cannabis out of Portugal, all for medicinal purposes (the “**Portuguese Licence**”). Onon was also to obtain the necessary permits to build a cannabis cultivation and processing facility in Portugal.

147. Onon incorporated GreenEve-Plus, Lda., a company based in Portugal and formed pursuant to the laws of Portugal (“**Portugal Co**”), and transferred 17.5% of the shares of Portugal Co to Eve International.

148. Portugal Co received a licence to build a cannabis facility from the relevant authorities, but Onon failed to proceed with construction. Without a facility, Portugal Co could not obtain a Portuguese Licence. I believe that Onon ultimately could not secure the resources to proceed with the joint venture. As such, the Eve Group has never received any revenue or dividends from Portugal Co. Onon is arm’s length from Eve Group, so the Eve Group has no effective control over Portugal Co.

#### **F. Defaulting Tenant**

149. On September 17, 2021, to off-set the carrying costs of the Facility expansion and monetize the idle capacity, NMC leased a portion of the Facility to Franchise Cannabis Corp. (the “**Tenant**”) to cultivate cannabis under NMC’s Cannabis Licence. The Tenant was to pay rent of \$125,000 per month, plus insurance premiums and half of NMC’s utilities costs for the Facility. The agreement provided that the Tenant could use up to 50% of the Facility for its operations, although it only ever used between 10% to 20% of the space.



150. The Tenant failed to adhere to the Eve Group's strict standards of good manufacturing practices and product quality control. The Tenant's poor cultivation practices and management of its plants and pesticides began to put the Eve Group's own product quality and controls at risk. The Tenant was also continually late paying rent.

151. The Tenant was evicted from the Facility on February 28, 2022. The Tenant remains in arrears of rent and expenses payable to the Eve Group of approximately \$300,000.

152. The Eve Group is in the process of seeking one or more new tenants as discussed below.

## **VII. STRATEGIC INITIATIVES**

153. As a result of the difficulties it has faced, the Eve Group has pursued a number of strategic initiatives to improve its operations and financial position, including:

- (a) entering into a share subscription agreement;
- (b) soliciting debt financing;
- (c) exploring opportunities for an acquisition;
- (d) leveraging the Property through a potential sale and lease-back;
- (e) capitalizing on the Facility through potential third-party leases or licences;
- (f) converting debt to equity to improve the balance sheet and reduce debt service costs; and

- (g) reducing operating expenses, including by reducing staffing levels and reducing marketing and investor relations expenses.

**A. Attempts to Raise Equity Financing**

154. Last year, the Eve Group entered into a share subscription agreement with ST Biosciences, a New York based company developing synthetic cannabinoid pharmaceuticals, for ST Biosciences to purchase \$1,400,000 of Eve & Co's common shares at \$0.42 per share. The deal was supposed to close in May 2021. Unfortunately, ST Biosciences failed to complete the share purchase. I understand from the Eve Group's counsel that Eve & Co may have a viable action against ST Biosciences for its breach of the share subscription agreement.

**B. Attempts to Obtain Additional Debt Financing**

155. From September 2021 to present, the Eve Group sought to establish new credit facilities with a number of credit unions to provide financing for operations.

156. Despite having approached numerous credit unions across the country, and despite engaging the assistance of a broker, the Eve Group has been unable to arrange suitable additional debt financing.

**C. Attempts to Solicit an Acquisition**

157. Approximately six months ago, Ravi Sood, a former member of the board of directors of NMC, contacted an investment bank, PI Financial Corp., to solicit potential purchasers for part or all of the Eve Group's assets.

158. Through PI Financial Corp.'s efforts, the Eve Group engaged in initial discussions with potential purchasers but no deals materialized.

#### **D. Attempts to Monetize the Facility and Licenses**

159. In an effort to improve its finances and generate sufficient working capital, the Eve Group has explored opportunities to monetize the Facility. The Eve Group has engaged in discussions for a sale and lease back of the Facility, whereby the builder who constructed the 780,000 square foot expansion of the Facility would purchase the Facility and use the expansion area to grow produce, and lease back the balance of the Facility to NMC for its current use of cultivating and processing cannabis. Those discussions are ongoing.

160. The Eve Group has also taken steps to secure one or more new leases and/or licences. The Eve Group is engaged in ongoing negotiations with three potential licence holders seeking cultivation space for a lease of a portion of the Facility.

161. NMC's Cannabis Licence permits it to process other companies' cannabis and cannabis products, and (as discussed) the Eve Group is certified to export cannabis for medicinal use to Germany and Israel. The Eve Group is engaged in discussions with numerous licenced producers for the Eve Group to process and/or export third-party products to global markets.

#### **F. Debt Conversion**

162. On February 17, 2022, Eve & Co closed a debt transaction whereby it settled \$657,000.11 in debt payable to directors, officers, employees, and debentureholders related to expenses, loans, and services rendered to Eve & Co up to January 2022 in

exchange for an aggregate of 5,189,606 common shares in Eve & Co capital, issued from the Eve & Co treasury (the “**February Transaction**”).

163. The February Transaction allowed Eve & Co to settle various debts owing to employees of NMC, directors of Eve Group entities, and debentureholders while preserving cash for general working capital purposes.

164. Pursuant to the February Transaction, Eve & Co issued an aggregate of 908,677 shares at a deemed issuance price of \$0.12 per share in full and final satisfaction of \$109,041 of certain directors’ fees and salaries. Eve & Co further issued an aggregate of 4,280,929 shares at a deemed issuance price of \$0.128 per share in full and final satisfaction of \$547,959 owed to holders of Eve & Co’s outstanding 10% unsecured convertible debentures issued on December 10, 2020.

165. The February Transaction was approved by all Eve & Co independent directors and by the TSX Venture Exchange. All securities issued pursuant to the February Transaction are subject to statutory and TSXV hold periods until June 18, 2022.

## **G. Cash Conservation Efforts**

166. Since the beginning of the COVID-19 pandemic, the Eve Group has made attempts to conserve cash flow by reducing operating expenses. NMC implemented cost controls, including a policy to obtain at least three competitive price quotations for all purchases, and strict management of cultivation and processing volumes to reduce input costs and eliminate spoilage.

167. The Eve Group has also reduced its staffing levels through attrition. NMC had approximately 100 employees prior to the start of the COVID-19 pandemic. As

employees have left for various reasons through the course of the pandemic, they have not been replaced.

168. The Eve Group has also taken steps to reduce spending on marketing and investor relations in an attempt to preserve cash. The Eve Group significantly reduced marketing expenses, including by not replacing its marketing manager who resigned last year. The Eve Group halted all investor relations spending, aside from what was required by applicable law, in March 2020.

169. As noted, I have also postponed taking a salary from August through December 2021 in order to conserve cash flow in the Eve Group.

## **VIII. CCAA PROCEEDINGS AND RELIEF SOUGHT**

### **A. Need for CCAA Proceeding**

170. As indicated in the Cash Flow Forecast, without interim financing, the Applicants will be unable to operate in the ordinary course and payroll obligations will not be met, to the detriment of their stakeholders.

171. In consultation with their advisors, the Applicants have determined that the CCAA process is the most beneficial plan of action to maximize value for the Eve Group's stakeholders.

### **B. Appointment of Monitor**

172. The Applicants seek the appointment of BDO as Monitor of the Applicants in these CCAA proceedings.

173. BDO is familiar with the operations of the Applicants, as BDO was previously engaged as a financial advisor to assess the Applicants' strategic alternatives and restructuring initiatives in connection with the RBC Credit Agreement.

174. BDO has reviewed, and assisted in the preparation of, the Cash Flow Forecast, and has provided guidance and assistance in the commencement of these CCAA proceedings.

175. As a result, BDO has developed critical knowledge about the Applicants, their business operations, financial challenges, strategic initiatives and restructuring efforts to date.

176. BDO has consented to act as the Monitor, subject to Court approval.

### **C. DIP Loan and DIP Lender's Charge**

177. Eve & Co and NMC retained Rockstar Mortgage Services Inc. ("**Rockstar**") in February 2022 to act as a broker to seek additional financing for the Eve Group. Although Rockstar had some success in soliciting lender interest, the lending facilities proposed were insufficient in amount and too costly to present a viable solution to the Eve Group's capital needs.

178. Subsequently, in or around early March 2022, the Eve Group entered into negotiations for DIP financing from the DIP Lender (the "**DIP Loan**"). Following negotiations, the DIP Lender provided a term sheet (the "**DIP Term Sheet**"). Based on my discussions with the Eve Group's counsel, I believe that the terms offered by the DIP Lender are reasonable and competitive. A copy of the DIP Term Sheet is attached as **Exhibit "II"**.

179. The material terms of the DIP Term Sheet are as follows:

- (a) The DIP Loan is in the amount of \$2,200,000;
- (b) The purpose of the DIP Loan is to fund:
  - (i) the Eve Group's working capital needs in accordance with the cash flow projections approved by the Monitor and the DIP Lender;
  - (ii) the DIP Lender's fees and expenses;
  - (iii) professional fees and expenses incurred by the Eve Group and the Monitor in respect of the CCAA proceeding; and
  - (iv) such other costs and expenses of the Eve Group as may be agreed to by the DIP Lender;
- (c) The DIP Loan shall be available in two advances, as follows:
  - (i) upon the issuance of the Initial Order, \$1,200,000, or such lesser amount as may be approved by the Initial Order, shall be advanced to the Eve Group to finance working capital requirements for the 10-day period immediately following the date of the Initial Order; and
  - (ii) upon the issuance of an amended and restated Initial Order at the comeback hearing, the balance of the DIP Loan, being \$1,000,000, shall be advanced to the Eve Group;

- (d) The interest rate is 12% per annum, calculated daily on the outstanding balance owing under the DIP Loan, not in advance, and accruing and paid on the Maturity Date (as defined in the DIP Term Sheet), provided however, that the DIP Lender shall be entitled a minimum of six (6) months of interest;
- (e) The Eve Group shall pay all of the DIP Lender's fees and expenses incurred in connection with the DIP Loan;
- (f) The Eve Group shall pay a facility fee of \$60,000;
- (g) The DIP Loan is to be secured by a court-ordered priority charge over all of the Eve Group's present and after acquired property, subject only to the Administration Charge; and
- (h) The DIP Loan will only be funded upon this Honourable Court approving the DIP Term Sheet, the DIP Loan, and granting the Initial Order.

180. Based on, among other things, the Cash Flow Forecast, the Applicants believe that the DIP Loan is both reasonable and necessary for the Eve Group to continue as a going concern. Should an alternative lender bring forward more attractive financing terms, the DIP Lender can be bought out and replaced by the more competitive lender.

**D. Administration Charge**

181. The Applicants seek a super-priority charge over the Applicants' Property (as defined in the Initial Order) in favour of the Monitor, counsel to the Monitor and counsel to the Applicants (the "**Professionals Group**"), to secure payment of their professional



fees and disbursements, whether incurred before or after the date of the Initial Order (the “**Administration Charge**”).

182. The proposed Administration Charge being sought is for a maximum amount of \$500,000.

183. It is contemplated that the Professionals Group will have extensive involvement during the CCAA proceedings. The Professionals Group have contributed and will continue to contribute to the Applicants’ restructuring efforts, and will ensure that there is no unnecessary duplication of roles among them.

184. In preparation of the Cash Flow Forecast, the Applicants, in consultation with the proposed Monitor, considered the professional fees forecasted to be incurred on a weekly basis during the cash flow period. Until the week of the Comeback Hearing, the Applicants forecast to incur significant professional fees in connection with the CCAA proceedings, such as preparing for the Comeback Hearing, communicating with employees and stakeholders following the initial filing, and complying with statutory notices, mailings and communications.

185. Accordingly, I believe the quantum of the Administration Charge sought is reasonably necessary at this time to secure the professional fees of the Professionals Group.

**E. Directors’ Charge**

186. The Applicants seek a charge on the Applicants’ Property in favour of the Applicants’ current officers and directors in priority to all other charges other than the

Administration Charge, the DIP Lender Charge and the security held by RBC, up to a maximum amount of \$150,000 (“**Directors’ Charge**”).

187. To ensure the ongoing stability of the Eve Group’s business during the CCAA proceeding, it requires the continued participation of its directors and officers. The officers and directors have skills, knowledge and expertise, as well as established relationships with various stakeholders that will contribute to a successful restructuring. As a practical but critical matter, I have the individual security clearance that Health Canada requires at least one director of a licenced cannabis company to have in order to maintain its licence. NMC must at all times have a director with the required clearance.

188. The Eve Group’s directors and officers have the benefit of a director and officer insurance policy which I understand provides them with coverage for certain claims and liabilities that may arise. However the policy contains exclusions and exceptions to such coverage as is provided. The Eve Group’s ordinary course operations give rise to potential director or officer liability, including payroll and sales tax. To address legitimate concerns expressed with respect to their potential exposure if they continue to act (rather than resign), the directors and officers have requested reasonable protection against personal liability that might arise during the post-filing period. The Directors’ Charge is intended to address potential claims that may be brought against directors and officers.

189. The quantum of the Directors’ Charge was developed with the assistance and support of the proposed Monitor. The Eve Group is of the view that the quantum of the

Directors' Charge is reasonably necessary at this time to address circumstances that could lead to potential directors' liability prior to the Comeback Hearing.

**F. Stay of Proceedings**

190. Given the challenges faced by the Applicants described herein, the Eve Group requires a stay of proceedings to maintain the *status quo* and to give the Applicants the breathing space they require to develop a restructuring plan in consultation with their advisors and the Monitor.

191. The proposed Initial Order contemplates a Stay Period of 10 days, which I understand is the maximum that can be authorized by a court at the initial application under the CCAA.

**G. Relief to be Sought at Comeback Hearing**

192. If the Initial Order is granted, the Applicants propose to return to this Court for a Comeback Hearing on April 1, 2022.

193. At the Comeback Hearing, the Applicants intend to seek the Court's approval of an Amended and Restated Initial Order. For the benefit of this Court and the Applicants' stakeholders, this section highlights critical relief that the Applicants intend to seek at the Comeback Hearing. The Applicants may seek additional relief if determined to be necessary or advisable.

***i) Extension of Stay of Proceedings***

194. The Applicants intend to seek an extension of the Stay Period for a sufficient length of time to allow the Applicants to conduct a sales and investment solicitation process.

***ii) Increase to Charges***

195. The Applicants intend to seek to increase the quantum of the Administration Charge, Directors' Charge and DIP Lender's Charge if appropriate. In accordance with the CCAA, parties affected by this relief will be served with the Notice of Application in advance of the Comeback Hearing.

***iii) Critical Suppliers***

196. The Applicants rely on certain service providers in their day-to-day operations. To preserve their business and maintain critical relationships, the Applicants intend to seek the Court's approval to pay certain pre-filing expenses or to honour certain cheques issued to providers of goods and services prior to the date of filing that the Applicants, with the consent of the Monitor, believe are necessary to facilitate the Applicants' ongoing operations and preserve value during these proceedings.

***iv) Sales and Investment Solicitation Process***

197. At the Comeback Hearing, the Eve Group intends to seek approval of a sales and investment solicitation process for an investment in, or sale of, all or substantially all of the Applicants' property.

198. RBC and the DIP Lender have agreed to the proposed Sales and Investment Solicitation Process (“**SISP**”). The SISP will create a four month process to market and sell all, or substantially all, of the Eve Group’s property.

199. The SISP was developed in consultation with the proposed Monitor and in accordance with any requirements in the DIP Term Sheet and the Forbearance Agreement.

200. The SISP contemplates the following milestone dates:

- (a) an April 5, 2022 deadline to obtain the Initial Order including the approval of the SISP;
- (b) an April 29, 2022 deadline to complete a Confidential Information Memorandum (“**CIM**”);
- (c) a May 6, 2022 deadline to distribute the CIM;
- (d) a July 15, 2022 deadline for all parties to complete due diligence;
- (e) an August 15, 2022 deadline to receive binding offers from potential purchasers and investors participating in the SISP; and
- (f) a September 15, 2022 deadline to close the transaction resulting from the SISP.

201. The SISP will be administered by the Monitor in consultation with the Applicants. In addition, the Monitor will have certain consent rights in connection with material


decisions related to the SISP (e.g. extending timelines, dispensing with bid requirements, terminating the SISP).

**VIII. FORM OF ORDER AND CONCLUSION**

202. The Applicants, with the assistance of their legal and financial advisors, have determined that the proposed CCAA proceedings represent the best available strategy to maximize value for the Eve Group’s stakeholders.

203. This affidavit is sworn in support of the Applicants’ application for protection pursuant to the CCAA and for no other purpose.

SWORN BEFORE ME via video-conference with the deponent in the municipality of Lambton Shores, in the County of Lambton, and the Commissioner in the City of Markham, Ontario this 23rd day of March, 2022

DocuSigned by:  
  
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Melinda Rombouts

DocuSigned by:  
  
DA79353421D842D...

**MATTHEW ELISEO CRESSATTI**  
A Commissioner for taking Affidavits (*or as may be*)

**Note:** This affidavit was commissioned via simultaneous video-conference in accordance with the *Commissioners for taking Affidavits Act*, R.S.O. 1990, CHAPTER C.17, and the Law Society of Ontario: COVID-19 Response Statement interpretation of that Act, under which (i) the identity of the deponent was confirmed from government issued identification, (ii) the commissioner administered the oath or affirmation, (iii) the deponent affixed their electronic signature to the affidavit and transmitted the full electronic affidavit, as sworn or affirmed, including exhibits to the commissioner, (iv) the deponent confirmed their electronic signature to the commissioner, (v) the commissioner affixed their electronic signature to the affidavit including exhibits.

This is **Exhibit “B”** to the  
Affidavit of **MELINDA ROMBOUITS**  
Sworn on August 25, 2022

DocuSigned by:

*Monica Fakhim*

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A Commissioner, etc.

Court File No.: CV-22-00678884-00CL

**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 THE COMPROMISE OR ARRANGEMENT OF EVE & CO  
INCORPORATED, NATURAL MEDCO LTD., and EVE & CO INTERNATIONAL  
HOLDINGS LTD.

Applicants

**AFFIDAVIT OF MELINDA ROMBOUTS  
(sworn March 29, 2022)**

I, Melinda Rombouts, of the municipality of Lambton Shores, in the County of  
Lambton, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

**A. Introduction**

1. I am the President and Chief Executive Officer ("**CEO**") of Eve & Co Incorporated ("**Eve & Co**"), as well as a member of the board of directors, having served in these positions since I founded the company in 2014.

2. I am also the CEO and a member of the board of directors of each of Eve & Co's two wholly-owned subsidiaries, Natural MedCo Ltd. ("**NMC**") and Eve & Co International Holdings Ltd. ("**Eve International**", collectively with NMC and Eve & Co, the "**Applicants**" or the "**Eve Group**").

3. As such, I have personal knowledge of the matters to which I depose in this affidavit, except where I have obtained information from others. Where I have obtained information from others, I have stated the source of my information and, in all such cases, believe such information to be true.



4. This affidavit is sworn in support of a motion by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("**CCAA**"), requesting:

- a. an amended and restated initial order ("**Amended and Restated Initial Order**") substantially in the form attached at Tab 3 of the Applicants' motion record, among other things:
  - i. extending the stay of proceedings granted pursuant to initial order, dated March 25, 2022 ("**Initial Order**") to and including August 26, 2022 ("**Extended Stay Period**");
  - ii. authorizing and approving an increase in the amount that the Applicants are entitled to borrow under the Debtor-in-Possession Term Sheet ("**DIP Term Sheet**"), dated March 22, 2022, between the Applicants and Deans Knight Private Credit GP Inc., as General Partner of Deans Knight Private Credit Limited Partnership, and DK Strategic Yield U.S. GP LLC, as General Partner of DK Strategic Yield Master Trust Limited Partnership (collectively, the "**DIP Lender**"), from \$1,200,000 to \$2,200,000;
  - iii. approving increases to the following charges (the "**Priority Charges**");
    1. increasing the Administration Charge to \$500,000; and
    2. increasing the DIP Lenders' Charge to \$2,200,000.

- b. an order ("**Sale Process Approval Order**"), substantially in the form attached at Tab 4 of the Applicants' motion record, among other things, approving a sale and investment solicitation process in respect of the Applicants' business and assets ("**Sale Process**").

## **B. Background and Status of CCAA Proceedings**

5. I swore an affidavit on March 23, 2022 ("**First Rombouts Affidavit**") in this CCAA proceeding. This affidavit is supplementary to the First Rombouts Affidavit.

6. The Eve Group is a licenced producer and distributor of cannabis flower, cannabis plants, and cannabis products, located in Strathroy, Ontario.

7. The Applicants applied for urgent relief under the CCAA on March 25, 2022, because they had insufficient funds to sustain operations after that date. By Order of the Honourable Madam Justice Conway, dated March 25, 2022 ("**Initial Order**"), among other things, a stay of proceedings was granted for ten days ("**Initial Stay Period**"), with a return date set for April 1, 2022 ("**Comeback Hearing**") to address the relief sought on this motion. A copy of the First Rombouts Affidavit and the Initial Order are available on the website of BDO Canada Limited, in its capacity as court appointed monitor of the Applicants ("**Monitor**") at <https://www.bdo.ca/en-ca/extranets/eve-co-incorporated-and-natural-medco-ltd/>.

8. The Applicants have continued to operate in the ordinary course since the Initial Order was granted.

9. Since the Initial Order was granted, the Applicants have been working with the Monitor to stabilize operations and develop the Sale Process. The Applicant's activities during the Initial Stay Period, with the assistance of their advisors and the Monitor, include:

- a. creating and implementing a communication plan to advise key stakeholders of the CCAA proceeding, including preparing a press release announcing the CCAA application and the granting of the Initial Order;
- b. communicating with, providing information to, and answering questions of various stakeholders including, among others:
  - i. creditors;
  - ii. customers to maintain relationships and ensure ongoing sales;
  - iii. suppliers; and
  - iv. employees as they are critical to the Eve Group's continued operations, including maintaining cannabis plants and ensuring appropriate security.
- c. meeting with the Monitor to review the Eve Group's cash flow requirements;
- d. meeting with the Monitor to discuss, identify, and realize cash flow efficiencies; and
- e. working with the Monitor to develop the Sale Process.

**C. Relief Sought at Comeback Hearing is Supported by Monitor, DIP Lender, and RBC**

10. The Monitor, the DIP Lender, and Royal Bank of Canada ("**RBC**"), as senior secured creditor of NMC, are supportive of the relief sought at the Comeback Hearing.

**D. Relief Sought at Comeback Hearing**

**i. Sale Process Approval**

11. The Applicants have worked with the Monitor to develop the Sale Process which has been designed to solicit offers for and an investment in the Eve Group's business. The bidding procedures for the Sale Process ("**Bidding Procedures**") are attached as **Exhibit "A"**.

12. The Sale Process will be undertaken by the Monitor in consultation with the Applicants and RBC, as may be appropriate.

13. By way of overview, the Sale Process contemplates the following steps (capitalized terms not otherwise defined herein shall have the meaning given to them in the Bidding Procedures):

- a. the Monitor will cause a notice of the Sale Process to be published in The Globe and Mail (National Edition) by no later than April 8, 2022;
- b. the Applicants will issue a press release setting out the information contained in the Notice by no later than April 8, 2022;
- c. the Applicants, in consultation with the Monitor and RBC, will prepare a list of potential bidders, including (i) parties that have approached the Applicants or the Monitor indicating an interest in the Opportunity; and (ii)

local and international strategic and financial parties that the Applicants, in consultation with the Monitor, believe may be interested in the Opportunity (collectively, "**Known Potential Bidders**");

- d. the Applicants and the Monitor will prepare: (i) a process summary ("**Teaser Letter**") describing the Opportunity, outlining the Sale Process, and inviting recipients of the Teaser Letter to express their interest pursuant to the Sale Process; and (ii) a non-disclosure agreement ("**NDA**");
- e. the Monitor will send the Teaser Letter and the NDA to all Known Potential Bidders, and any other party who requests a copy of the Teaser Letter and NDA, by April 29, 2022;
- f. the Monitor, with the assistance of the Applicants, will prepare a confidential information memorandum ("**CIM**") describing the Opportunity that will be provided to those Known Potential Bidders who have executed an NDA by May 6, 2022;
- g. Phase 1 Qualified Bidders who wish to pursue the Opportunity must deliver a non-binding letter of interest to the Applicants and the Monitor by no later than July 29, 2022 ("**Phase 1 Bid Deadline**");
- h. following the Phase 1 Bid Deadline, the Applicants, the Monitor, and RBC will assess the Phase 1 Bids to determine if any constitute a Qualified Phase 1 Bid and if the bidders are Qualified Phase 2 Bidders;

- i. if no Phase 1 Bids are received, or in the opinion of the Applicants in consultation with the Monitor and RBC, no Phase 1 Bids constitute Qualified Phase 1 Bids, the Applicants with the consent of the Monitor and in consultation with RBC may consider other forms of bids for the Property;
  - j. any time after the Phase 1 Bid Deadline the Applicants, with the consent of the Monitor and in consultation with RBC, may determine that a second phase is not required and execute definitive documents with respect to a transaction contemplated with a Qualified Phase 1 Bid submitted by the Phase 1 Bid Deadline;
  - k. if Phase 2 is required, Qualified Phase 2 Bidders that wish to make a binding offer must do so by August 10, 2022 (“**Phase 2 Bid Deadline**”);
  - l. following the Phase 2 Bid Deadline, the Applicants and the Monitor will assess the Phase 2 bids and, in consultation with RBC, designate the most competitive bids that comply with the Phase 2 bid requirements as “Qualified Bids”; and
  - m. if there are more than one Qualified Bids, the Monitor may conduct an auction no later than August 12, 2022.
14. After negotiation with the Successful Bidder, the Applicants will seek court approval of the agreement negotiated with the Successful Bidder by August 24, 2022, if there is no auction, and August 26, 2022, if there is an auction.

15. The closing of any sale of or investment in the Applicants' business will be conditional on court approval.

16. I believe the Sale Process will optimize the chances, in the particular circumstances facing the Applicants, of securing the best possible transaction for the Eve Group's assets and/or business.

17. The Sale Process is designed to be substantially completed before the end of the Extended Stay Period, on August 26, 2022.

**ii. Extension of Stay of Proceedings**

18. The Applicants have acted, and continue to act, in good faith and with due diligence to communicate with stakeholders and to develop a Sale Process. The Applicants seek an extension of the stay of proceedings to August 26, 2022, to provide stability to the Eve Group's business and to allow sufficient time to complete the Sale Process without having to incur additional costs during that process to return to court to seek a further extension. It is anticipated that the Sale Process will conclude by August 26, 2022, with a hearing for an approval and vesting order, subject to court availability.

19. Subject to court approval of an increase in the DIP Loan and the DIP Lender's Charge, as defined and described below, the cash flow forecast ("**Cash Flow Forecast**") attached as Exhibit "M" to the First Rombouts Affidavit shows sufficient liquidity during the Extended Stay Period to fund the Sale Process, operational expenses, and the costs of these CCAA proceedings.

20. I do not believe that any creditor will suffer material prejudice as a result of the extension of the stay of proceedings for the Extended Stay Period.

**iii. Increase to DIP Loan**

21. After the Initial Order was granted, the DIP Lender advanced \$1,200,000 to the Applicants pursuant to the DIP Term Sheet. A copy of the DIP Term Sheet is attached as Exhibit "II" to the First Rombouts Affidavit. Pursuant to the Initial Order, a DIP Lender's Charge was granted to a maximum amount of \$1,200,000 as security for the initial advance.

22. The Cash Flow Forecast demonstrates that the Eve Group will have a continuing need to draw upon financing to fund these CCAA proceedings. The Applicants seek a \$1,000,000 increase in the amount of the DIP Loan, to a maximum of \$2,200,000, in order to finance the Eve Group's working capital requirements, and the costs of this CCAA proceeding.

23. The Eve Group also requests an increase in the DIP Lender's Charge to \$2,200,000 to secure the amounts advanced by the DIP Lender pursuant to the DIP Term Sheet.

**iv. Increase to Priority Charges**

24. The Priority Charges in the Initial Order were limited to those amounts reasonably necessary for the Applicants' ordinary course operations during the Initial Stay Period. The Applicants now seek to increase the Priority Charges to the amounts reasonably necessary to operate during the Extended Stay Period.



25. In addition to the increase in the DIP Lender’s Charge, the Applicants also seek an increase in the Administration Charge to \$500,000 to reflect the fees and disbursements of the Monitor, counsel for the Monitor, and counsel for the Applicants (collectively, the “**Professional Group**”) during the Extended Stay Period.

26. The Applicants are of the view that the proposed increases to these Priority Charges are reasonably necessary at this time to address the increased DIP Loan, and the additional fees and disbursements of the Professional Group.

SWORN BEFORE ME via video-conference with the deponent in the municipality of Lambton Shores, in the County of Lambton, and the Commissioner in the Town of Whitby, Ontario this 29th day of March, 2022

DocuSigned by:  
*Erin Craddock*  
F4090E7178EE422

DocuSigned by:  
*Melinda Rombouts*  
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Melinda Rombouts

A Commissioner for taking Affidavits (or as may be)

**Note:** This affidavit was commissioned via simultaneous video-conference in accordance with the *Commissioners for taking Affidavits Act*, R.S.O. 1990, CHAPTER C.17, and the Law Society of Ontario: COVID-19 Response Statement interpretation of that Act, under which (i) the identity of the deponent was confirmed from government issued identification, (ii) the commissioner administered the oath or affirmation, (iii) the deponent affixed their electronic signature to the affidavit and transmitted the full electronic affidavit, as sworn or affirmed, including exhibits to the commissioner, (iv) the deponent confirmed their electronic signature to the commissioner, (v) the commissioner affixed their electronic signature to the affidavit including exhibits.

This is **Exhibit “C”** to the  
Affidavit of **MELINDA ROMBOUITS**  
Sworn on August 25, 2022

DocuSigned by:

*Monica Fakhim*

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A Commissioner, etc.

**August 25, 2022**

**Eve & Co Incorporated**  
2941 Napperton Drive  
Strathroy, ON N0J 1P0

**Attention:** Melinda Rombouts, President and Chief Executive Officer

**Re: Debtor-in-Possession Financing of Eve & Co Incorporated, Natural Medco Ltd., and Eve & Co International Holdings Ltd.**

**WHEREAS** On March 25, 2022, Eve & Co Incorporated (“**Eve & Co.**”), Natural MedCo Ltd. (“**NMC**”) and Eve & Co International Holdings Ltd. (collectively, the “**Borrowers**”) applied for and commenced proceedings under the Companies’ Creditors Arrangement Act (the “**CCAA**”) pursuant to the Initial Order (the “**Initial Order**”) of the Honourable Madam Justice Conway of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). BDO Canada Limited was appointed as Monitor of the Borrowers (in such capacity, the “**Monitor**”) for the proceedings commenced by the Initial Order (the “**CCAA Proceeding**”);

**AND WHEREAS** the Initial Order was amended and restated on April 1, 2022 (the “**CCAA Order**”) in order to: (i) extend the stay of proceedings established by the Initial Order; and (ii) increase the Interim Financing Charge (as defined herein);

**AND WHEREAS** an Order was granted on April 1, 2022 approving a Court-supervised sale and investment solicitation process (“**SISP**”) within the CCAA Proceeding;

**AND WHEREAS** Royal Bank of Canada (“**RBC**”) is the senior lender to NMC, with such facilities guaranteed by Eve & Co., and has issued demands for payment to each of NMC and Eve & Co., and a Notice of Intention to Enforce Security under the *Bankruptcy and Insolvency Act* (the “**BIA**”) to NMC. RBC, NMC and Eve & Co. have entered into a forbearance agreement (the “**RBC Agreement**”) pursuant to which RBC provided Eve & Co. and NMC with a period of forbearance to allow the CCAA Proceeding and the SISP to proceed, and to permit the repayment of the indebtedness owing to RBC;

**AND WHEREAS** Deans Knight Private Credit GP Inc., as General Partner of Deans Knight Private Credit Limited Partnership, and DK Strategic Yield U.S. GP LLC, as General Partner of Deans Knight Strategic Yield Master Trust Limited Partnership (collectively, the “**Lenders**”) have funded the CCAA Proceeding to date by advancing to the Borrowers a debtor-in-possession loan in the total aggregate principal amount of \$2,200,000 subject to and in accordance with the terms and conditions contained in a debtor-in possession term sheet dated March 22, 2022 (the “**Original Term Sheet**”), and the terms of the Initial Order and the CCAA Order;

**AND WHEREAS** the Borrowers require additional funding to continue to satisfy the cashflow requirements of the CCAA Proceeding and other short-term liquidity requirements while the Borrowers and the Purchaser work to close a sale transaction through the CCAA Proceeding (the “**Transaction**”);

**AND WHEREAS** the Borrowers require additional funding to continue to satisfy the cashflow requirements of the CCAA Proceeding and other short-term liquidity requirements while the Borrowers and the Purchaser work to close the Transaction;

**AND WHEREAS** the Borrowers and the Lenders have agreed to make certain amendments to the terms of the Original Term Sheet pursuant to, and in accordance with, the terms and conditions of this amended and restated debtor-in-possession term sheet (this “**Term Sheet**”);

**NOW THEREFORE** in consideration of the foregoing and the mutual covenants and agreements set forth below, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

### SUMMARY OF TERMS FOR DIP FACILITY

- 1. Borrowers:** Eve & Co Incorporated, Natural MedCo Ltd., Eve & Co International Holdings, on a joint and several basis.
- 2. Lenders:** Deans Knight Private Credit GP Inc., as General Partner of Deans Knight Private Credit Limited Partnership and DK Strategic Yield U.S. GP LLC, as General Partner of DK Strategic Yield Master Trust Limited Partnership
- 3. DIP Facility:** Non-revolving facility in the maximum principal amount of \$2,800,000 (the “**DIP Facility**”).
- 4. Purpose:** The purpose of the DIP Facility is to fund: (i) working capital needs in accordance with the cash flow projections approved by the Monitor and the Lenders from time to time (the “**Cash Flow Projections**”); (ii) the Lenders’ Fees and Expenses (as defined below); (iii) professional fees and expenses incurred by the Borrowers and the Monitor in respect of the CCAA Proceeding and the SISF; and (iv) such other costs and expenses of the Borrowers as may be agreed to by the Lenders, in writing.

All payments made by the Borrowers from and after the date hereof shall be approved by the Monitor. Without limiting the generality of the foregoing, the Borrowers may not use the proceeds of the DIP Facility to pay any pre-filing obligations of the Borrowers without the prior written consent of the Lenders, the Monitor, and RBC.

- 5. Facility Advances:** Subject to the funding conditions in Section 11 of this Term Sheet, the DIP Facility shall be available in multiple advances (the “**Advances**”). The Parties acknowledge and agree that as of the date hereof, the DIP Facility is drawn at \$2,200,000 (exclusive of interest, the Lenders’ Fees and Expenses, the Facility Fee and the Extension Fee, each as defined herein). The balance of the DIP Facility shall become available to the Borrowers as follows:

- (a) \$450,000 upon the issuance of an Order of the Court approving an increase to the Interim Financing Charge (as defined herein) to the maximum principal amount of \$2,800,000; and
- (b) the balance, being \$150,000, upon the request of the Borrowers, subject to the written approval of the Monitor, confirming the need for such funds.

For certainty, the remaining balance of the DIP Facility shall be funded in no more than two (2) Advances.

- 6. Interest Rate and Expenses:** Interest: Interest on the principal amount of each Advance outstanding from time to time shall be calculated at a rate equal to 12% per annum, which interest shall be calculated on the daily outstanding balance owing under the DIP Facility, not in advance, and shall accrue and be paid on the Maturity Date; provided, however, that the Lenders shall be entitled a minimum of three (3) months of interest for all funds advanced on or after the date hereof.

Expenses: The Borrowers shall pay all fees and expenses (collectively, the “**Lenders’ Fees and Expenses**”) incurred by the Lenders in connection with the preparation, registration and ongoing administration of this Term Sheet, the DIP Facility, the Initial Order, the CCAA Order, the Interim Financing Charge (as defined below) and with the enforcement of the Lenders’ rights and remedies hereunder and thereunder, at law or in equity, including, without limitation all reasonable legal fees and disbursements incurred by the Lenders, on a full indemnity basis. For greater certainty, “Lenders’ Fees and Expenses” shall include all reasonable fees and expenses incurred by the Lenders in connection with the CCAA Proceeding and all court attendances in respect thereof. If the Lenders have paid any expense for which the Lenders are entitled to reimbursement from the Borrowers, such expense shall be added to the DIP Facility and shall accrue interest at the rate set out above. All such fees and expenses and interest thereon shall be secured by the Interim Financing Charge whether or not any funds under the DIP Facility are advanced.

- 7. Facility Fees:** A facility fee of \$66,000 (the “**Facility Fee**”) shall be due and payable to the Lenders, which fee shall be fully earned on execution of this Term Sheet and be paid on the Maturity Date. For certainty, the Facility Fee shall be secured by the Interim Financing Charge.
- 8. Extension Fee:** In consideration of the Lenders entering into this Term Sheet, an extension fee of \$5,500 (the “**Extension Fee**”) shall be due and payable to the Lenders, which fee shall be fully earned on execution of this Term Sheet and be paid on the Maturity Date. For certainty, the Facility Fee shall be secured by the Interim Financing Charge.
- 9. Security:** All debts, liabilities and obligations of the Borrowers to the Lenders under or in connection with the DIP Facility, this Term Sheet and any other documents in connection therewith shall be secured by a Court-ordered priority charge granted to the Lenders in and to all present and future properties, assets, and undertakings of the Borrowers, real and personal, tangible and intangible, whether now owned or hereafter acquired (the “**Interim Financing Charge**”), subject only to an administration charge in the maximum aggregate amount of \$700,000 for the payment of the fees and expenses of the Monitor, counsel to the Borrowers and counsel to the Monitor (the “**Administration Charge**”). The Initial Order and the CCAA Order shall also provide for a charge in the maximum aggregate amount of \$150,000 as security for the indemnity provided to the directors and officers of the Borrowers against obligations and liabilities they may incur after the commencement of the CCAA Proceeding (the “**Directors’ Charge**”), subject to the terms and conditions set out in the Initial Order, the CCAA Order or any other Court order granting such charge. The Directors’ Charge shall not stand in priority to the Interim Financing Charge nor the security held by RBC.
- 10. Maturity Date:** The Borrowers shall repay all obligations owing under the DIP Facility on the earlier of (the “**Maturity Date**”):
- (a) December 1, 2022;
  - (b) the closing of Transaction;

- (c) the date on which the CCAA Proceedings are terminated for any reason, including if the CCAA Proceedings are converted into a proceeding under the BIA;
- (d) the occurrence of an Event of Default (as defined herein), subject to a cure period of five (5) business days, beginning on the date that the Lenders learn of such Event of Default.

**11. Funding Conditions:** The availability of the Advances under the DIP Facility shall be subject to and conditional upon the following:

- (a) The Court shall have issued the Initial Order, in a form satisfactory to the Lenders, including:
  - i. approving this Term Sheet and the DIP Facility;
  - ii. granting the Interim Financing Charge in favour of the Lenders;
  - iii. authorizing the Lenders to effect registrations, filings and recordings wherever in its discretion it deems appropriate regarding the Interim Financing Charge;
  - iv. providing that the Interim Financing Charge shall be valid and effective to secure all of the obligations of the Borrowers to the Lenders hereunder, without the necessity of the making of any registrations or filings and whether or not any other documents have been executed by the Borrowers;
  - v. declaring that the granting of the Interim Financing Charge and all other documents executed and delivered to the Lenders as contemplated herein, including, without limitation, all actions taken to perfect, record and register the Interim Financing Charge, do not constitute conduct meriting an oppression remedy, settlement, fraudulent preference, fraudulent conveyance or other challengeable or reviewable transaction under any applicable federal or provincial legislation; and
  - vi. provisions restricting the granting of any additional liens or encumbrances on the assets of the Borrowers, other than as permitted herein and in the Interim Financing Order.
- (b) The Initial Order or the CCAA Order, as the case may be, shall not have been vacated, stayed, appealed or amended in a manner not acceptable to the Lenders, acting reasonably;
- (c) No Event of Default shall have occurred.

**12. Covenants:** The Borrowers covenant and agree with the Lenders, so long as any amounts are outstanding by the Borrowers to the Lenders hereunder, to:

- (a) promptly on the receipt by the Borrowers of the same, give the Lenders a copy of any Notice of Motion or Application to vary, supplement, revoke, terminate or discharge the Initial Order or the CCAA Order, including

(without limitation) any application to the Court for the granting of new or additional security that will or may have priority over the Interim Financing Charge, or otherwise for the variation of the priority of the Interim Financing Charge;

- (b) provide the Lenders with any additional financial information reasonably requested by the Lenders, to the extent that it is readily available;
- (c) use the Advances only in accordance with Section 4 of this Term Sheet;
- (d) provide the Lenders with prompt written notice of any event which constitutes, or which, with notice, lapse of time, or both, would constitute an Event of Default, a breach of any covenant, or other term or condition of this Term Sheet, or of any document executed in connection with this Term Sheet;
- (e) keep and maintain books of account and other accounting records in accordance with generally accepted accounting principles;
- (f) pay all property taxes and other claims which, under law, may rank prior to or *pari passu* with the Interim Financing Charge due and payable from and after the commencement of the CCAA Proceeding, as and when such amounts are due;
- (g) not declare any dividend, or make any other distributions with respect to any shares of the Borrowers without the prior written consent of the Lenders;
- (h) not make any payment to any director, officer, investor or related party (except salary and wages in the normal course) without the prior written consent of the Lenders;
- (i) keep the Borrowers' assets fully insured against such perils and in such manner as would be customarily insured by companies owning similar assets; and
- (j) not, without the prior written consent of the Lenders, incur any borrowings or other secured indebtedness, obligations or liabilities, other than the DIP Facility, or create or grant any security (other than the Administration Charge, the Directors' Charge and the Interim Financing Charge) over any of its property, whether ranking in priority to or subordinate to the Interim Financing Charge.

**13. Events of Default:**

The DIP Facility shall be subject to the following event of default (“**Events of Default**”):

- (a) the Borrowers' failure to pay any amount due hereunder when due and payable;
- (b) any covenant, condition precedent, payment obligation, or other term or condition of this Term Sheet is not complied with or fulfilled to the satisfaction of the Lenders;

- (c) the seeking or support by the Borrowers of any court order (in the CCAA Proceeding or otherwise) which is adverse or potentially adverse to the interests of the Lenders;
- (d) the issuance of any Court order lifting or terminating (in whole or in part) the stay of proceedings in the CCAA Proceeding, or discontinuing, dismissing or otherwise terminating the CCAA Proceeding;
- (e) the issuance of any court order staying, reversing, vacating or modifying the terms of the Initial Order or the CCAA Order, the DIP Facility or the Interim Financing Charge without the Lenders' consent;
- (f) the service or filing of a notice of appeal, application for leave to appeal, or an appeal in respect of the Initial Order or the CCAA Order;
- (g) an event occurs that will, in the opinion of the Lenders, materially impair the Borrowers' financial condition, operations or ability to perform under this Term Sheet or any order of the Court;
- (h) failure by the Borrowers to comply with the Initial Order or the CCAA Order;
- (i) any material adverse change in: (i) the business, operations, or financial condition of the Borrowers; (ii) the property of the Borrowers; (iii) the Interim Financing Charge, including its relative priority; (iv) the ability of the Borrowers to perform their obligations to the Lenders or to any person under any material contract; (v) the Lenders' ability to enforce any of its rights or remedies against the Borrowers' property or for the obligations of the Borrowers to be satisfied from the realization thereof;
- (j) any Borrower becomes bankrupt or subject to a proceeding under the BIA, or a receiver, interim receiver, receiver and manager or trustee in bankruptcy is appointed in respect of any Borrower or any of their property;
- (k) the acceptance of any offer resulting from the SISF, or the filing of a motion seeking approval of the Court to accept any such offer, unless the total indebtedness owing by the Borrowers under the DIP Facility is to be paid in full in cash or other immediately available funds upon completion of the transaction resulting from such offer;
- (l) the sale, transfer, assignment, conveyance or lease of substantially all of the business or assets of the Borrowers, except pursuant to a transaction resulting from the SISF or as may be otherwise approved by the Lenders in writing;
- (m) the filing of any plan of reorganization, arrangement or liquidation to which the Lenders do not consent;
- (n) the commencement of any claim, action, proceeding, application, motion, defense or other contested matter the purpose of which is to seek or the result of which would be to obtain any order, judgment, determination, declaration or similar relief: (i) invalidating, setting aside, avoiding, or



subordinating the obligations of the Borrowers under the DIP Facility, the Interim Financing Charge or its priority; (ii) for monetary, injunctive or other relief against the Lenders or the Borrowers' property; or (iii) preventing, hindering or otherwise delaying the exercise by the Lenders of any of their rights and remedies hereunder, pursuant to the Initial Order or the CCAA Order or under applicable law, or the enforcement or realization by the Lenders against any of their collateral.

**14. Remedies and Enforcement:**

Following the occurrence of an Event of Default, and upon five (5) business days' written notice to the Borrowers, the Monitor and RBC, the Lenders shall have the right, subject to the Lenders obtaining an Order from the Court lifting the stay under the CCAA Proceeding and subject to first obtaining the consent of RBC, to:

- (a) enforce the Interim Financing Charge and realize on the Borrowers property and any other collateral securing the DIP Facility;
- (b) exercise the rights and powers of a secured lender and mortgagee pursuant to the *Personal Property Security Act* (Ontario), the *Mortgages Act* (Ontario) or any legislation of similar effect; and
- (c) exercise all such other rights and remedies available to the Lenders under this Term Sheet, the Initial Order, the CCAA Order, any other order of the Court or applicable law.

The Lenders agree in the event that RBC, while recognizing the priority claim of the Interim Financing Charge, takes steps to enforce the security granted to it by NMC and Eve & Co., that the Lenders shall co-operate with RBC's enforcement efforts and consent to any Court order sought by RBC in relation to such enforcement, including an order appointing a Receiver over the real property and premises of NMC.

**15. Evidence of Indebtedness:**

The Lenders shall maintain records evidencing the DIP Facility. The Lenders' accounts and records shall constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrowers to the Lenders under the DIP Facility.

**16. Amendment and Restatement:**

This Term Sheet amends and restates the Original Term Sheet and is not a novation of the Original Term Sheet. All indebtedness, liabilities and obligations of the Borrowers under the Original Term Sheets shall continue as obligations under this Term Sheet and this Term Sheet shall not evidence or result in a novation of such indebtedness, liabilities or obligations.

**17. Further Assurances:**

The Borrowers will, at their own expense and promptly on demand by the Lenders at any time, do such acts and things and execute and deliver such deeds and documents as the Lenders may request to give effect to any of the provisions set out hereunder.

**18. Assignment:**

The Borrowers shall not assign this Term Sheet or any of the provisions set out herein without the prior written consent of the Lenders. The Lenders may assign or sell their rights or obligations with respect to this Term Sheet to any person without the prior written consent of the Borrowers.

**19. Governing Law:** The DIP Facility and the provisions set out herein shall be governed by and construed in all respects in accordance with the laws of Ontario and the laws of Canada applicable therein.

**20. Currency:** All references to currency in this Term Sheet are references to Canadian Dollars.

**21. Acceptance:** This Term Sheet is open for acceptance until 5:00 p.m. (Toronto time) on August 24, 2022. A copy of this Term Sheet, countersigned by the Borrowers, may be delivered by electronic transmission or personal delivery.

Dated this 24<sup>th</sup> day of August, 2022.

**DEANS KNIGHT PRIVATE CREDIT LIMITED PARTNERSHIP, by its General Partner, DEANS KNIGHT PRIVATE CREDIT GP INC.**

By: \_\_\_\_\_

Name:

Title:

I have authority to bind the Corporation.

**DK STRATEGIC YIELD MASTER TRUST LIMITED PARTNERSHIP, by its General Partner, DK STRATEGIC YIELD U.S. GP LLC**

By: \_\_\_\_\_

Name:

Title:

I have authority to bind the Corporation.

Dated this 25<sup>th</sup> day of August, 2022.

**DEANS KNIGHT PRIVATE CREDIT LIMITED PARTNERSHIP, by its General Partner, DEANS KNIGHT PRIVATE CREDIT GP INC.**

By: \_\_\_\_\_

Name: Dillon Cameron

Title: Authorized Signatory

I have authority to bind the Corporation.

**DK STRATEGIC YIELD MASTER TRUST LIMITED PARTNERSHIP, by its General Partner, DK STRATEGIC YIELD U.S. GP LLC**

By: \_\_\_\_\_

Name: Dillon Cameron

Title: Authorized Signatory

I have authority to bind the Corporation.

**ACCEPTANCE**


**TO: DEANS KNIGHT PRIVATE CREDIT GP INC., as General Partner of DEANS KNIGHT PRIVATE CREDIT LIMITED PARTNERSHIP**

**AND TO: DK STRATEGIC YIELD U.S. GP LLC, as General Partner of DK STRATEGIC YIELD MASTER TRUST LIMITED PARTNERSHIP**

For good and valuable consideration received, Eve & Co Incorporated, Natural MedCo Ltd. and Eve & Co International Holdings Ltd. accept and agree to comply with the provisions of the Term Sheet set out above, on a joint and several basis.


Dated this \_\_\_ day of August, 2022.

**EVE & CO INCORPORATED**

By:   
\_\_\_\_\_  
Name: Melinda Rombouts  
Title: President


I have authority to bind the Corporation.

**NATURAL MEDCO LTD.**

By:   
\_\_\_\_\_  
Name: Melinda Rombouts  
Title: President

I have authority to bind the Corporation.

**EVE & CO INTERNATIONAL HOLDINGS LTD.**

By:   
\_\_\_\_\_  
Name: Melinda Rombouts  
Title: Chief Executive Officer

I have authority to bind the Corporation.

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

**AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF EVE & CO  
INCORPORATED, NATURAL MEDCO LTD., EVE & CO INTERNATIONAL HOLDINGS  
LTD.**

Court File No.: CV-22-00678884-00CL

**Applicants**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**  
Proceeding commenced at TORONTO

**AFFIDAVIT OF MELINDA ROMBOULTS**  
(SWORN AUGUST 25, 2022)

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Lawyers for the Applicants

# TAB 3

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE MADAM ) FRIDAY, THE 26<sup>th</sup>  
 )  
JUSTICE CONWAY ) DAY OF AUGUST, 2022  
 )

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 EVE  
& CO INCORPORATED, NATURAL MEDCO LTD., and EVE & CO INTERNATIONAL  
HOLDINGS LTD. (collectively, the "Applicants")

**ORDER**

**(Stay Extension, DIP Financing, Administration Charge)**

**THIS MOTION**, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), for an order amending and restating the amended and restated initial order of Justice Conway dated April 1, 2022 (the "**Initial Order**"), was heard this day by videoconference.

**ON READING** the affidavit of Melinda Rombouts sworn August 25, 2022, and the Exhibits thereto, the second report of BDO Canada Limited, in its capacity as monitor of the Applicants ("**Monitor**"), dated August 25, 2022, and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for Applicants and counsel for the Monitor, no one appearing for any other party although duly served as appears from the affidavit of service, filed,

**SERVICE**

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

**AMENDMENTS TO THE AMENDED AND RESTATED INITIAL ORDER**

2. **THIS COURT ORDERS** that paragraphs 14, 31-35, and 39 of the Amended and Restated Initial Order are hereby further amended and restated as follows:

**NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY**

14. **THIS COURT ORDERS** that until and including September 30, 2022, or such later date as this Court may order ("**Stay Period**"), no proceeding or enforcement process in or out of any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicants or the Monitor, 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. Notwithstanding the foregoing, Royal Bank of Canada ("**Secured Lender**") shall be unaffected by the stay of proceedings and shall be entitled to enforce its rights and remedies in accordance with the terms agreed to in the Forbearance Agreement, and subject to the jurisdiction of this Court.

[...]

**ADMINISTRATION CHARGE**

31. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, if any, 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 \$700,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and



such counsel, both before and after the making of the Initial Order in respect of these proceedings. The Administration Charge shall have the priority set out in herein.

## **DIP FINANCING**

**32. THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility ("**DIP Loan**") from Deans Knight Private Credit GP Inc., as General Partner of Deans Knight Private Credit Limited Partnership and DK Strategic Yield U.S. GP LLC, as General Partner of DK Strategic Yield Master Trust Limited Partnership (collectively, 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 \$2,800,000 unless permitted by further Order of this Court.

**33. THIS COURT ORDERS** that such DIP Loan shall be on the terms and subject to the conditions set forth in the DIP Term Sheet between the Applicants and the DIP Lender dated as of August 25, 2022 ("**DIP Term Sheet**"), filed.

**34. 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 DIP Term Sheet 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 DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

**35. THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge ("**DIP Lender's Charge**") on the Property, which

DIP Lender's Charge shall not secure an obligation that exists before the Initial Order is made. The DIP Lender's Charge shall have the priority set out herein.

**VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

**39. THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge, the DIP Lender's Charge, and any and all charges, liens, encumbrances and other security held by the Secured Lender ("**RBC Security**"), and security held by the Van Engelen ("**Van Engelen Security**") as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$700,000);

Second – DIP Lender's Charge (to the maximum amount of \$2,800,000);

Third – the RBC Security;

Fourth – the Van Engelen Security; and,

Fifth – Directors' Charge (to the maximum amount of \$150,000).

**GENERAL**

3. **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, and this Order is enforceable without the need for entry and filing.

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**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 EVE &  
CO INCORPORATED, NATURAL MEDCO LTD., and EVE & CO INTERNATIONAL  
HOLDINGS LTD.**

Court File No.: CV-2200678884-00CL

**Applicants**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**  
Proceeding commenced at TORONTO

**ORDER  
(STAY EXTENSION, DIP FINANCING,  
ADMINISTRATION CHARGE)**

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Lawyers for the Applicants

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

Court File No.: CV-22-00678884-00CL

**AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF EVE & CO  
INCORPORATED, NATURAL MEDCO LTD., and EVE & CO INTERNATIONAL  
HOLDINGS LTD.**

**Applicants**

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(COMMERCIAL LIST)**  
Proceeding commenced at TORONTO

**MOTION RECORD**  
**(RETURNABLE AUGUST 26, 2022)**

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