



Second-Lien Convertible Debentureholder Consent

I am the registered and beneficial owner of \$ 150,000 aggregate principal amount of 8% second-lien convertible debentures due March 2023. In my capacity as such, I hereby consent to the order attached hereto as Schedule "A".

Dated May 7, 2020.



Witness
DAVID GORDON

Paul Cohen/
169893 Canada Inc. 

Name

SCHEDULE "A"
ORDER

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

THE HONOURABLE MR.) WEDNESDAY, THE 6th
)
JUSTICE KOEHNEN) DAY OF MAY, 2020
)

**IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF MUSKOKA GROWN LIMITED, A CORPORATION
INCORPORATED UNDER THE LAWS OF ONTARIO**

NOI PROCESS ORDER

THIS MOTION, made by Muskoka Grown Limited (the "**Company**") pursuant to the *Bankruptcy and Insolvency Act* (Canada) R.S.C. 1985, c. C-36, as amended (the "**BIA**") for an order, *inter alia*: (i) abridging the time for service and filing of the Notice of Motion and the Motion Record and dispensing with further service and filing thereof; (ii) approving a super priority administration charge in the aggregate amount of \$300,000; (iii) approving a debtor-in-possession financing facility and a super priority charge in respect of amounts borrowed under such facility; (iv) approving a super priority charge in favour of the Company's directors and officers; (v) authorizing the Company to complete the sale of non-materials assets without Order of this Court for proceeds not exceeding \$500,000 in the aggregate; and (vi) approving the granting of an extension of the time to file a proposal and the corresponding stay of proceedings to and including July 19, 2020, was heard this day via video conference.

ON READING the Notice of Motion, the affidavit of David Ascott sworn May 5, 2020 (the "**Ascott Affidavit**") and the Exhibits thereto, the First Report (the "**First Report**") of A.

Farber & Partners Inc. in its capacity as Proposal Trustee (the "**Proposal Trustee**"), dated May 5, 2020, filed, and on reading the Company's cash-flow statement, appended as Appendix "B" to the Report, and on being advised that the secured creditors of the Company who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel to Company, counsel for the Proposal Trustee, counsel for the DIP Lender, no one appearing for any other party although duly served as appears from the affidavit of service of Aiden Nelms sworn May 6, 2020;

SERVICE

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

ADMINISTRATION CHARGE

2. **THIS COURT ORDERS** that that the Proposal Trustee, the Proposal Trustee's counsel, and the Company's counsel, shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Company as part of the costs of these proceedings, both before and after the making of this Order. The Company is hereby authorized to pay the accounts of the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel on a weekly basis, provided that the accounts of the Proposal Trustee and the Proposal Trustee's counsel as paid are passed from time to time, and for this purpose the accounts are hereby referred to a judge of the Ontario Superior Court of Justice (Commercial List) at Toronto, Ontario.

3. **THIS COURT ORDERS** that the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the current and future assets, undertakings and properties of the Company of every nature and kind whatsoever (including all real and personal property), and wherever situate including all proceeds thereof (collectively, the "**Property**"), which charge shall not exceed an aggregate amount of \$300,000, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order. The Administration Charge shall have the priority set out in paragraphs 14 and 16 herein.

DIP FINANCING

4. **THIS COURT ORDERS** that the execution by the Company of the DIP Term Sheet (as hereinafter defined) is hereby approved, *nunc pro tunc*, and the Company is hereby authorized and empowered to perform its obligations under the DIP Term Sheet (subject to obtaining such Court and other approvals as may be required in connection with any step or transaction contemplated therein) and to obtain and borrow under the DIP Term Sheet among the Company, as borrower, and Arthur Zwingenberger as lender (the "**DIP Lender**"), in order to finance the Company's working capital requirements (including those of its operating facilities), and other general corporate purposes and capital expenditures, provided that borrowing under such credit facility shall not exceed \$4,000,000.

5. **THIS COURT ORDERS** that such credit facility shall be on substantially the terms and subject to the conditions set forth in the DIP term sheet agreement dated May 5, 2020, and attached as Exhibit "T" to the Ascott Affidavit (the "**DIP Term Sheet**"), together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee.

6. **THIS COURT ORDERS** that the Company and the DIP Lender are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (such documents, together with the DIP Term Sheet, 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 together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee, and the Company is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

7. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which charge shall not exceed an aggregate amount of \$4,000,000, which DIP Lender's Charge shall not secure an

obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 14 and 16 herein.

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

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge: (i) the DIP Lender may cease making advances to the Company, and (ii) the DIP Lender may make demand, accelerate payment and give other notices, and upon 7 days' notice to the Company and the Proposal Trustee, exercise any and all of their rights and remedies against the Company or the Property under or pursuant to the Definitive Documents, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company and not have to wait 10 days to bring such a motion pursuant to section 243 of the BIA; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Company or the Property.

9. **THIS COURT ORDERS AND DECLARES** that all claims of the DIP Lender pursuant to the Definitive Documents are not claims that may be compromised pursuant to any proposal filed by the Company or any plan filed by the Company under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, without the consent of the DIP Lender and, except as contemplated in the Definitive Documents, the DIP Lender shall be treated as unaffected in any proposal or plan or other restructuring with respect to any obligations outstanding to the DIP Lender under or in respect of the Definitive Documents.

10. **THIS COURT ORDERS** that except to the extent contemplated by the Definitive Documents, the Company shall not file a proposal or plan in these proceedings or proceed with

any other restructuring that does not provide for the indefeasible payment in full in cash of the obligations outstanding under the Definitive Documents as a pre-condition to the implementation of any such proposal or plan or any other restructuring without the prior written consent of the DIP Lender.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

11. **THIS COURT ORDERS** that the Company shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Company after the commencement of the within proceedings provided that the occurrence giving rise to the indemnified obligations and liabilities shall have occurred after the effective time of this Order, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

12. **THIS COURT ORDERS** that the directors and officers of the Company shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$200,000, as security for the indemnity provided in paragraph 11 of this Order. The Directors' Charge shall have the priority set out in paragraphs 14 and 16 herein.

13. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary: (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge; and (b) the Company's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 11 of this Order.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

14. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge and the DIP Lenders' Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First - Administration Charge (up to the maximum amount of \$300,000);

Second - Directors' Charge (up to the maximum amount of \$200,000); and

Third - DIP Lenders' Charge (up to the maximum amount of \$4,000,000).

15. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

16. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") notwithstanding the order of perfection or attachment.

17. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that ranks in priority to, or *pari passu* with, any of the Charges, unless the Company also obtains the prior written consent of the Proposal Trustee and the chargees entitled to the benefit of such Charges (collectively, the "**Chargees**"), or further Order of this Court.

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

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

19. **THIS COURT ORDERS** that any of the Charges created by this Order over leases of real property in Canada shall only be a charge in the Company's interest in such real property leases.

ADDITIONAL PROTECTIONS

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

21. **THIS COURT ORDERS** that nothing herein contained shall require the Proposal Trustee to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Proposal Trustee from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Proposal Trustee shall not, as a result of this Order or anything done in pursuance of the Proposal Trustee's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

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

EXTENSION OF TIME TO MAKE A PROPOSAL

23. **THIS COURT ORDERS** that the time within which to make a proposal pursuant to section 62(1) of the BIA and the corresponding stay of proceedings provided for in section 69 of the BIA, be and are hereby extended in accordance with section 50.4(9) of the BIA to and including July 19, 2020.

SALE OF NON-MATERIAL ASSETS

24. **THIS COURT ORDERS** that the Company may explore opportunities for the sale of non-material assets with the prior approval of the Proposal Trustee and the DIP Lender, and may enter into and complete any transaction for non-material assets for proceeds not exceeding \$500,000 in the aggregate.

SERVICE AND NOTICE

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

26. **THIS COURT ORDERS** that the Company and the Proposal Trustee and each of their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Company's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

GENERAL

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

28. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as an interim receiver, receiver, receiver and manager, or trustee in bankruptcy of the Company or the Property or act as monitor if the proceeding is continued under the *Companies' Creditors Arrangement Act*.

29. **THIS COURT REQUESTS** the aid and recognition of any court or any judicial, regulatory, or administrative body in any province or territory of Canada and the Federal Court of Canada and any judicial, regulatory, or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States and the states of other subdivisions of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

30. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than (7) seven days' notice to the Company, the Proposal Trustee, the DIP Lender and any other party or parties likely to be affected by the Order sought or upon such other notice as this Court may order.

31. **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.

**IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED
IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF MUSKOKA GROWN LIMITED,
A CORPORATION INCORPORATED UNDER THE LAWS OF ONTARIO**

Estate / Court File No. 31-2643278

Estate / Court File No. 31-2643278

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST

Proceedings commenced in Toronto

NOI PROCESS ORDER

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)

Mike Shakra (LSO# 64604K)

Aiden Nelms (LSO# 74170S)

Tel: 416-863-1200


Fax: 416-863-1716

Lawyers for the Applicant


Second-Lien Convertible Debentureholder Consent

I am the registered and beneficial owner of \$ 750,000 aggregate principal amount of 8% second-lien convertible debentures due March 2023. In my capacity as such, I hereby consent to the order attached hereto as Schedule "A".

Dated May 7, 2020.



Witness
DAVID GRANT



Name
Elizabeth Rondelet

SCHEDULE "A"
ORDER

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

THE HONOURABLE MR.) WEDNESDAY, THE 6th
)
JUSTICE KOEHNEN) DAY OF MAY, 2020
)

**IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF MUSKOKA GROWN LIMITED, A CORPORATION
INCORPORATED UNDER THE LAWS OF ONTARIO**

NOI PROCESS ORDER

THIS MOTION, made by Muskoka Grown Limited (the "**Company**") pursuant to the *Bankruptcy and Insolvency Act* (Canada) R.S.C. 1985, c. C-36, as amended (the "**BIA**") for an order, *inter alia*: (i) abridging the time for service and filing of the Notice of Motion and the Motion Record and dispensing with further service and filing thereof; (ii) approving a super priority administration charge in the aggregate amount of \$300,000; (iii) approving a debtor-in-possession financing facility and a super priority charge in respect of amounts borrowed under such facility; (iv) approving a super priority charge in favour of the Company's directors and officers; (v) authorizing the Company to complete the sale of non-materials assets without Order of this Court for proceeds not exceeding \$500,000 in the aggregate; and (vi) approving the granting of an extension of the time to file a proposal and the corresponding stay of proceedings to and including July 19, 2020, was heard this day via video conference.

ON READING the Notice of Motion, the affidavit of David Ascott sworn May 5, 2020 (the "**Ascott Affidavit**") and the Exhibits thereto, the First Report (the "**First Report**") of A.

Farber & Partners Inc. in its capacity as Proposal Trustee (the "**Proposal Trustee**"), dated May 5, 2020, filed, and on reading the Company's cash-flow statement, appended as Appendix "B" to the Report, and on being advised that the secured creditors of the Company who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel to Company, counsel for the Proposal Trustee, counsel for the DIP Lender, no one appearing for any other party although duly served as appears from the affidavit of service of Aiden Nelms sworn May 6, 2020;

SERVICE

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

ADMINISTRATION CHARGE

2. **THIS COURT ORDERS** that that the Proposal Trustee, the Proposal Trustee's counsel, and the Company's counsel, shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Company as part of the costs of these proceedings, both before and after the making of this Order. The Company is hereby authorized to pay the accounts of the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel on a weekly basis, provided that the accounts of the Proposal Trustee and the Proposal Trustee's counsel as paid are passed from time to time, and for this purpose the accounts are hereby referred to a judge of the Ontario Superior Court of Justice (Commercial List) at Toronto, Ontario.

3. **THIS COURT ORDERS** that the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the current and future assets, undertakings and properties of the Company of every nature and kind whatsoever (including all real and personal property), and wherever situate including all proceeds thereof (collectively, the "**Property**"), which charge shall not exceed an aggregate amount of \$300,000, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order. The Administration Charge shall have the priority set out in paragraphs 14 and 16 herein.

DIP FINANCING

4. **THIS COURT ORDERS** that the execution by the Company of the DIP Term Sheet (as hereinafter defined) is hereby approved, *nunc pro tunc*, and the Company is hereby authorized and empowered to perform its obligations under the DIP Term Sheet (subject to obtaining such Court and other approvals as may be required in connection with any step or transaction contemplated therein) and to obtain and borrow under the DIP Term Sheet among the Company, as borrower, and Arthur Zwingenberger as lender (the "**DIP Lender**"), in order to finance the Company's working capital requirements (including those of its operating facilities), and other general corporate purposes and capital expenditures, provided that borrowing under such credit facility shall not exceed \$4,000,000.

5. **THIS COURT ORDERS** that such credit facility shall be on substantially the terms and subject to the conditions set forth in the DIP term sheet agreement dated May 5, 2020, and attached as Exhibit "T" to the Ascott Affidavit (the "**DIP Term Sheet**"), together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee.

6. **THIS COURT ORDERS** that the Company and the DIP Lender are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (such documents, together with the DIP Term Sheet, 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 together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee, and the Company is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

7. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which charge shall not exceed an aggregate amount of \$4,000,000, which DIP Lender's Charge shall not secure an

obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 14 and 16 herein.

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

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge: (i) the DIP Lender may cease making advances to the Company, and (ii) the DIP Lender may make demand, accelerate payment and give other notices, and upon 7 days' notice to the Company and the Proposal Trustee, exercise any and all of their rights and remedies against the Company or the Property under or pursuant to the Definitive Documents, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company and not have to wait 10 days to bring such a motion pursuant to section 243 of the BIA; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Company or the Property.

9. **THIS COURT ORDERS AND DECLARES** that all claims of the DIP Lender pursuant to the Definitive Documents are not claims that may be compromised pursuant to any proposal filed by the Company or any plan filed by the Company under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, without the consent of the DIP Lender and, except as contemplated in the Definitive Documents, the DIP Lender shall be treated as unaffected in any proposal or plan or other restructuring with respect to any obligations outstanding to the DIP Lender under or in respect of the Definitive Documents.

10. **THIS COURT ORDERS** that except to the extent contemplated by the Definitive Documents, the Company shall not file a proposal or plan in these proceedings or proceed with

any other restructuring that does not provide for the indefeasible payment in full in cash of the obligations outstanding under the Definitive Documents as a pre-condition to the implementation of any such proposal or plan or any other restructuring without the prior written consent of the DIP Lender.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

11. **THIS COURT ORDERS** that the Company shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Company after the commencement of the within proceedings provided that the occurrence giving rise to the indemnified obligations and liabilities shall have occurred after the effective time of this Order, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

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13. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary: (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge; and (b) the Company's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 11 of this Order.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

14. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge and the DIP Lenders' Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First - Administration Charge (up to the maximum amount of \$300,000);

Second - Directors' Charge (up to the maximum amount of \$200,000); and

Third - DIP Lenders' Charge (up to the maximum amount of \$4,000,000).

15. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

16. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") notwithstanding the order of perfection or attachment.

17. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that ranks in priority to, or *pari passu* with, any of the Charges, unless the Company also obtains the prior written consent of the Proposal Trustee and the chargees entitled to the benefit of such Charges (collectively, the "**Chargees**"), or further Order of this Court.

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

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

19. **THIS COURT ORDERS** that any of the Charges created by this Order over leases of real property in Canada shall only be a charge in the Company's interest in such real property leases.

ADDITIONAL PROTECTIONS

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

21. **THIS COURT ORDERS** that nothing herein contained shall require the Proposal Trustee to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Proposal Trustee from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Proposal Trustee shall not, as a result of this Order or anything done in pursuance of the Proposal Trustee's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

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

EXTENSION OF TIME TO MAKE A PROPOSAL

23. **THIS COURT ORDERS** that the time within which to make a proposal pursuant to section 62(1) of the BIA and the corresponding stay of proceedings provided for in section 69 of the BIA, be and are hereby extended in accordance with section 50.4(9) of the BIA to and including July 19, 2020.

SALE OF NON-MATERIAL ASSETS

24. **THIS COURT ORDERS** that the Company may explore opportunities for the sale of non-material assets with the prior approval of the Proposal Trustee and the DIP Lender, and may enter into and complete any transaction for non-material assets for proceeds not exceeding \$500,000 in the aggregate.

SERVICE AND NOTICE

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

26. **THIS COURT ORDERS** that the Company and the Proposal Trustee and each of their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Company's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

GENERAL

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

28. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as an interim receiver, receiver, receiver and manager, or trustee in bankruptcy of the Company or the Property or act as monitor if the proceeding is continued under the *Companies' Creditors Arrangement Act*.

29. **THIS COURT REQUESTS** the aid and recognition of any court or any judicial, regulatory, or administrative body in any province or territory of Canada and the Federal Court of Canada and any judicial, regulatory, or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States and the states of other subdivisions of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

30. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than (7) seven days' notice to the Company, the Proposal Trustee, the DIP Lender and any other party or parties likely to be affected by the Order sought or upon such other notice as this Court may order.

31. **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.

**IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED
IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF MUSKOKA GROWN LIMITED,
A CORPORATION INCORPORATED UNDER THE LAWS OF ONTARIO**

Estate / Court File No. 31-2643278

Estate / Court File No. 31-2643278

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST

Proceedings commenced in Toronto

NOI PROCESS ORDER

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)

Mike Shakra (LSO# 64604K)

Aiden Nelms (LSO# 74170S)

Tel: 416-863-1200

Fax: 416-863-1716

Lawyers for the Applicant

Second-Lien Convertible Debentureholder Consent

I am the registered and beneficial owner of \$ 50,000 aggregate principal amount of 8% second-lien convertible debentures due March 2023. In my capacity as such, I hereby consent to the order attached hereto as Schedule "A".

Dated May 7, 2020.

V. Grand Wright
Witness

[Signature]
Name

SCHEDULE "A"
ORDER

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

THE HONOURABLE MR.) WEDNESDAY, THE 6th
)
JUSTICE KOEHNEN) DAY OF MAY, 2020
)

**IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF MUSKOKA GROWN LIMITED, A CORPORATION
INCORPORATED UNDER THE LAWS OF ONTARIO**

NOI PROCESS ORDER

THIS MOTION, made by Muskoka Grown Limited (the "**Company**") pursuant to the *Bankruptcy and Insolvency Act* (Canada) R.S.C. 1985, c. C-36, as amended (the "**BIA**") for an order, *inter alia*: (i) abridging the time for service and filing of the Notice of Motion and the Motion Record and dispensing with further service and filing thereof; (ii) approving a super priority administration charge in the aggregate amount of \$300,000; (iii) approving a debtor-in-possession financing facility and a super priority charge in respect of amounts borrowed under such facility; (iv) approving a super priority charge in favour of the Company's directors and officers; (v) authorizing the Company to complete the sale of non-materials assets without Order of this Court for proceeds not exceeding \$500,000 in the aggregate; and (vi) approving the granting of an extension of the time to file a proposal and the corresponding stay of proceedings to and including July 19, 2020, was heard this day via video conference.

ON READING the Notice of Motion, the affidavit of David Ascott sworn May 5, 2020 (the "**Ascott Affidavit**") and the Exhibits thereto, the First Report (the "**First Report**") of A.

Farber & Partners Inc. in its capacity as Proposal Trustee (the "**Proposal Trustee**"), dated May 5, 2020, filed, and on reading the Company's cash-flow statement, appended as Appendix "B" to the Report, and on being advised that the secured creditors of the Company who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel to Company, counsel for the Proposal Trustee, counsel for the DIP Lender, no one appearing for any other party although duly served as appears from the affidavit of service of Aiden Nelms sworn May 6, 2020;

SERVICE

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

ADMINISTRATION CHARGE

2. **THIS COURT ORDERS** that that the Proposal Trustee, the Proposal Trustee's counsel, and the Company's counsel, shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Company as part of the costs of these proceedings, both before and after the making of this Order. The Company is hereby authorized to pay the accounts of the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel on a weekly basis, provided that the accounts of the Proposal Trustee and the Proposal Trustee's counsel as paid are passed from time to time, and for this purpose the accounts are hereby referred to a judge of the Ontario Superior Court of Justice (Commercial List) at Toronto, Ontario.

3. **THIS COURT ORDERS** that the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the current and future assets, undertakings and properties of the Company of every nature and kind whatsoever (including all real and personal property), and wherever situate including all proceeds thereof (collectively, the "**Property**"), which charge shall not exceed an aggregate amount of \$300,000, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order. The Administration Charge shall have the priority set out in paragraphs 14 and 16 herein.

DIP FINANCING

4. **THIS COURT ORDERS** that the execution by the Company of the DIP Term Sheet (as hereinafter defined) is hereby approved, *nunc pro tunc*, and the Company is hereby authorized and empowered to perform its obligations under the DIP Term Sheet (subject to obtaining such Court and other approvals as may be required in connection with any step or transaction contemplated therein) and to obtain and borrow under the DIP Term Sheet among the Company, as borrower, and Arthur Zwingenberger as lender (the "**DIP Lender**"), in order to finance the Company's working capital requirements (including those of its operating facilities), and other general corporate purposes and capital expenditures, provided that borrowing under such credit facility shall not exceed \$4,000,000.

5. **THIS COURT ORDERS** that such credit facility shall be on substantially the terms and subject to the conditions set forth in the DIP term sheet agreement dated May 5, 2020, and attached as Exhibit "T" to the Ascott Affidavit (the "**DIP Term Sheet**"), together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee.

6. **THIS COURT ORDERS** that the Company and the DIP Lender are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (such documents, together with the DIP Term Sheet, 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 together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee, and the Company is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

7. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which charge shall not exceed an aggregate amount of \$4,000,000, which DIP Lender's Charge shall not secure an

obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 14 and 16 herein.

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

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge: (i) the DIP Lender may cease making advances to the Company, and (ii) the DIP Lender may make demand, accelerate payment and give other notices, and upon 7 days' notice to the Company and the Proposal Trustee, exercise any and all of their rights and remedies against the Company or the Property under or pursuant to the Definitive Documents, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company and not have to wait 10 days to bring such a motion pursuant to section 243 of the BIA; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Company or the Property.

9. **THIS COURT ORDERS AND DECLARES** that all claims of the DIP Lender pursuant to the Definitive Documents are not claims that may be compromised pursuant to any proposal filed by the Company or any plan filed by the Company under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, without the consent of the DIP Lender and, except as contemplated in the Definitive Documents, the DIP Lender shall be treated as unaffected in any proposal or plan or other restructuring with respect to any obligations outstanding to the DIP Lender under or in respect of the Definitive Documents.

10. **THIS COURT ORDERS** that except to the extent contemplated by the Definitive Documents, the Company shall not file a proposal or plan in these proceedings or proceed with

any other restructuring that does not provide for the indefeasible payment in full in cash of the obligations outstanding under the Definitive Documents as a pre-condition to the implementation of any such proposal or plan or any other restructuring without the prior written consent of the DIP Lender.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

11. **THIS COURT ORDERS** that the Company shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Company after the commencement of the within proceedings provided that the occurrence giving rise to the indemnified obligations and liabilities shall have occurred after the effective time of this Order, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

12. **THIS COURT ORDERS** that the directors and officers of the Company shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$200,000, as security for the indemnity provided in paragraph 11 of this Order. The Directors' Charge shall have the priority set out in paragraphs 14 and 16 herein.

13. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary: (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge; and (b) the Company's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 11 of this Order.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

14. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge and the DIP Lenders' Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First - Administration Charge (up to the maximum amount of \$300,000);

Second - Directors' Charge (up to the maximum amount of \$200,000); and

Third - DIP Lenders' Charge (up to the maximum amount of \$4,000,000).

15. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

16. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") notwithstanding the order of perfection or attachment.

17. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that ranks in priority to, or *pari passu* with, any of the Charges, unless the Company also obtains the prior written consent of the Proposal Trustee and the chargees entitled to the benefit of such Charges (collectively, the "**Chargees**"), or further Order of this Court.

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

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

19. **THIS COURT ORDERS** that any of the Charges created by this Order over leases of real property in Canada shall only be a charge in the Company's interest in such real property leases.

ADDITIONAL PROTECTIONS

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

21. **THIS COURT ORDERS** that nothing herein contained shall require the Proposal Trustee to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Proposal Trustee from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Proposal Trustee shall not, as a result of this Order or anything done in pursuance of the Proposal Trustee's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

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

EXTENSION OF TIME TO MAKE A PROPOSAL

23. **THIS COURT ORDERS** that the time within which to make a proposal pursuant to section 62(1) of the BIA and the corresponding stay of proceedings provided for in section 69 of the BIA, be and are hereby extended in accordance with section 50.4(9) of the BIA to and including July 19, 2020.

SALE OF NON-MATERIAL ASSETS

24. **THIS COURT ORDERS** that the Company may explore opportunities for the sale of non-material assets with the prior approval of the Proposal Trustee and the DIP Lender, and may enter into and complete any transaction for non-material assets for proceeds not exceeding \$500,000 in the aggregate.

SERVICE AND NOTICE

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

26. **THIS COURT ORDERS** that the Company and the Proposal Trustee and each of their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Company's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

GENERAL

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28. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as an interim receiver, receiver, receiver and manager, or trustee in bankruptcy of the Company or the Property or act as monitor if the proceeding is continued under the *Companies' Creditors Arrangement Act*.

29. **THIS COURT REQUESTS** the aid and recognition of any court or any judicial, regulatory, or administrative body in any province or territory of Canada and the Federal Court of Canada and any judicial, regulatory, or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States and the states of other subdivisions of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

30. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than (7) seven days' notice to the Company, the Proposal Trustee, the DIP Lender and any other party or parties likely to be affected by the Order sought or upon such other notice as this Court may order.

31. **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.

**IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED
IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF MUSKOKA GROWN LIMITED,
A CORPORATION INCORPORATED UNDER THE LAWS OF ONTARIO**

Estate / Court File No. 31-2643278

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ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST

Proceedings commenced in Toronto

NOI PROCESS ORDER

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)

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Aiden Nelms (LSO# 74170S)

Tel: 416-863-1200

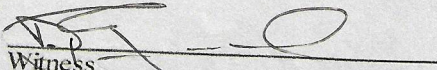
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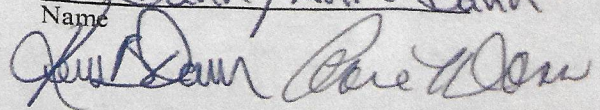
Lawyers for the Applicant

Second-Lien Convertible Debentureholder Consent

I am the registered and beneficial owner of \$ \$ 400,000 aggregate principal amount of 8% second-lien convertible debentures due March 2023. In my capacity as such, I hereby consent to the order attached hereto as Schedule "A".

Dated May 7, 2020.


Witness
WJA WS (2PWS)

K. Dann / Anne Dann
Name


SCHEDULE "A"
ORDER

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

THE HONOURABLE MR.) WEDNESDAY, THE 6th
)
JUSTICE KOEHNEN) DAY OF MAY, 2020
)

**IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED**

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PROPOSAL OF MUSKOKA GROWN LIMITED, A CORPORATION
INCORPORATED UNDER THE LAWS OF ONTARIO**

NOI PROCESS ORDER

THIS MOTION, made by Muskoka Grown Limited (the "**Company**") pursuant to the *Bankruptcy and Insolvency Act* (Canada) R.S.C. 1985, c. C-36, as amended (the "**BIA**") for an order, *inter alia*: (i) abridging the time for service and filing of the Notice of Motion and the Motion Record and dispensing with further service and filing thereof; (ii) approving a super priority administration charge in the aggregate amount of \$300,000; (iii) approving a debtor-in-possession financing facility and a super priority charge in respect of amounts borrowed under such facility; (iv) approving a super priority charge in favour of the Company's directors and officers; (v) authorizing the Company to complete the sale of non-materials assets without Order of this Court for proceeds not exceeding \$500,000 in the aggregate; and (vi) approving the granting of an extension of the time to file a proposal and the corresponding stay of proceedings to and including July 19, 2020, was heard this day via video conference.

ON READING the Notice of Motion, the affidavit of David Ascott sworn May 5, 2020 (the "**Ascott Affidavit**") and the Exhibits thereto, the First Report (the "**First Report**") of A.

Farber & Partners Inc. in its capacity as Proposal Trustee (the "**Proposal Trustee**"), dated May 5, 2020, filed, and on reading the Company's cash-flow statement, appended as Appendix "B" to the Report, and on being advised that the secured creditors of the Company who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel to Company, counsel for the Proposal Trustee, counsel for the DIP Lender, no one appearing for any other party although duly served as appears from the affidavit of service of Aiden Nelms sworn May 6, 2020;

SERVICE

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

ADMINISTRATION CHARGE

2. **THIS COURT ORDERS** that that the Proposal Trustee, the Proposal Trustee's counsel, and the Company's counsel, shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Company as part of the costs of these proceedings, both before and after the making of this Order. The Company is hereby authorized to pay the accounts of the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel on a weekly basis, provided that the accounts of the Proposal Trustee and the Proposal Trustee's counsel as paid are passed from time to time, and for this purpose the accounts are hereby referred to a judge of the Ontario Superior Court of Justice (Commercial List) at Toronto, Ontario.

3. **THIS COURT ORDERS** that the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the current and future assets, undertakings and properties of the Company of every nature and kind whatsoever (including all real and personal property), and wherever situate including all proceeds thereof (collectively, the "**Property**"), which charge shall not exceed an aggregate amount of \$300,000, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order. The Administration Charge shall have the priority set out in paragraphs 14 and 16 herein.

DIP FINANCING

4. **THIS COURT ORDERS** that the execution by the Company of the DIP Term Sheet (as hereinafter defined) is hereby approved, *nunc pro tunc*, and the Company is hereby authorized and empowered to perform its obligations under the DIP Term Sheet (subject to obtaining such Court and other approvals as may be required in connection with any step or transaction contemplated therein) and to obtain and borrow under the DIP Term Sheet among the Company, as borrower, and Arthur Zwingenberger as lender (the "**DIP Lender**"), in order to finance the Company's working capital requirements (including those of its operating facilities), and other general corporate purposes and capital expenditures, provided that borrowing under such credit facility shall not exceed \$4,000,000.

5. **THIS COURT ORDERS** that such credit facility shall be on substantially the terms and subject to the conditions set forth in the DIP term sheet agreement dated May 5, 2020, and attached as Exhibit "T" to the Ascott Affidavit (the "**DIP Term Sheet**"), together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee.

6. **THIS COURT ORDERS** that the Company and the DIP Lender are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (such documents, together with the DIP Term Sheet, 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 together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee, and the Company is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

7. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which charge shall not exceed an aggregate amount of \$4,000,000, which DIP Lender's Charge shall not secure an

obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 14 and 16 herein.

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

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge: (i) the DIP Lender may cease making advances to the Company, and (ii) the DIP Lender may make demand, accelerate payment and give other notices, and upon 7 days' notice to the Company and the Proposal Trustee, exercise any and all of their rights and remedies against the Company or the Property under or pursuant to the Definitive Documents, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company and not have to wait 10 days to bring such a motion pursuant to section 243 of the BIA; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Company or the Property.

9. **THIS COURT ORDERS AND DECLARES** that all claims of the DIP Lender pursuant to the Definitive Documents are not claims that may be compromised pursuant to any proposal filed by the Company or any plan filed by the Company under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, without the consent of the DIP Lender and, except as contemplated in the Definitive Documents, the DIP Lender shall be treated as unaffected in any proposal or plan or other restructuring with respect to any obligations outstanding to the DIP Lender under or in respect of the Definitive Documents.

10. **THIS COURT ORDERS** that except to the extent contemplated by the Definitive Documents, the Company shall not file a proposal or plan in these proceedings or proceed with

any other restructuring that does not provide for the indefeasible payment in full in cash of the obligations outstanding under the Definitive Documents as a pre-condition to the implementation of any such proposal or plan or any other restructuring without the prior written consent of the DIP Lender.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

11. **THIS COURT ORDERS** that the Company shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Company after the commencement of the within proceedings provided that the occurrence giving rise to the indemnified obligations and liabilities shall have occurred after the effective time of this Order, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

12. **THIS COURT ORDERS** that the directors and officers of the Company shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$200,000, as security for the indemnity provided in paragraph 11 of this Order. The Directors' Charge shall have the priority set out in paragraphs 14 and 16 herein.

13. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary: (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge; and (b) the Company's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 11 of this Order.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

14. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge and the DIP Lenders' Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First - Administration Charge (up to the maximum amount of \$300,000);

Second - Directors' Charge (up to the maximum amount of \$200,000); and

Third - DIP Lenders' Charge (up to the maximum amount of \$4,000,000).

15. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

16. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") notwithstanding the order of perfection or attachment.

17. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that ranks in priority to, or *pari passu* with, any of the Charges, unless the Company also obtains the prior written consent of the Proposal Trustee and the chargees entitled to the benefit of such Charges (collectively, the "**Chargees**"), or further Order of this Court.

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

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

19. **THIS COURT ORDERS** that any of the Charges created by this Order over leases of real property in Canada shall only be a charge in the Company's interest in such real property leases.

ADDITIONAL PROTECTIONS

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

21. **THIS COURT ORDERS** that nothing herein contained shall require the Proposal Trustee to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Proposal Trustee from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Proposal Trustee shall not, as a result of this Order or anything done in pursuance of the Proposal Trustee's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

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

EXTENSION OF TIME TO MAKE A PROPOSAL

23. **THIS COURT ORDERS** that the time within which to make a proposal pursuant to section 62(1) of the BIA and the corresponding stay of proceedings provided for in section 69 of the BIA, be and are hereby extended in accordance with section 50.4(9) of the BIA to and including July 19, 2020.

SALE OF NON-MATERIAL ASSETS

24. **THIS COURT ORDERS** that the Company may explore opportunities for the sale of non-material assets with the prior approval of the Proposal Trustee and the DIP Lender, and may enter into and complete any transaction for non-material assets for proceeds not exceeding \$500,000 in the aggregate.

SERVICE AND NOTICE

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

26. **THIS COURT ORDERS** that the Company and the Proposal Trustee and each of their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Company's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

GENERAL

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

28. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as an interim receiver, receiver, receiver and manager, or trustee in bankruptcy of the Company or the Property or act as monitor if the proceeding is continued under the *Companies' Creditors Arrangement Act*.

29. **THIS COURT REQUESTS** the aid and recognition of any court or any judicial, regulatory, or administrative body in any province or territory of Canada and the Federal Court of Canada and any judicial, regulatory, or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States and the states of other subdivisions of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

30. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than (7) seven days' notice to the Company, the Proposal Trustee, the DIP Lender and any other party or parties likely to be affected by the Order sought or upon such other notice as this Court may order.

31. **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.

**IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED
IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF MUSKOKA GROWN LIMITED,
A CORPORATION INCORPORATED UNDER THE LAWS OF ONTARIO**

Estate / Court File No. 31-2643278

Estate / Court File No. 31-2643278

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST

Proceedings commenced in Toronto

NOI PROCESS ORDER

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)

Mike Shakra (LSO# 64604K)

Aiden Nelms (LSO# 74170S)

Tel: 416-863-1200

Fax: 416-863-1716

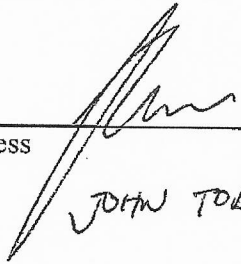
Lawyers for the Applicant

Second-Lien Convertible Debentureholder Consent

I am the registered and beneficial owner of \$ 450,000.00 aggregate principal amount of 8% second-lien convertible debentures due March 2023. In my capacity as such, I hereby consent to the order attached hereto as Schedule "A".

Dated May 6, 2020.

Witness


JOHN TOBIAS

Name



Leslie Gallagher, Debenture Holder

SCHEDULE "A"
ORDER

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

THE HONOURABLE MR.) WEDNESDAY, THE 6th
)
JUSTICE KOEHNEN) DAY OF MAY, 2020
)

**IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF MUSKOKA GROWN LIMITED, A CORPORATION
INCORPORATED UNDER THE LAWS OF ONTARIO**

NOI PROCESS ORDER

THIS MOTION, made by Muskoka Grown Limited (the "**Company**") pursuant to the *Bankruptcy and Insolvency Act* (Canada) R.S.C. 1985, c. C-36, as amended (the "**BIA**") for an order, *inter alia*: (i) abridging the time for service and filing of the Notice of Motion and the Motion Record and dispensing with further service and filing thereof; (ii) approving a super priority administration charge in the aggregate amount of \$300,000; (iii) approving a debtor-in-possession financing facility and a super priority charge in respect of amounts borrowed under such facility; (iv) approving a super priority charge in favour of the Company's directors and officers; (v) authorizing the Company to complete the sale of non-materials assets without Order of this Court for proceeds not exceeding \$500,000 in the aggregate; and (vi) approving the granting of an extension of the time to file a proposal and the corresponding stay of proceedings to and including July 19, 2020, was heard this day via video conference.

ON READING the Notice of Motion, the affidavit of David Ascott sworn May 5, 2020 (the "**Ascott Affidavit**") and the Exhibits thereto, the First Report (the "**First Report**") of A.

Farber & Partners Inc. in its capacity as Proposal Trustee (the "**Proposal Trustee**"), dated May 5, 2020, filed, and on reading the Company's cash-flow statement, appended as Appendix "B" to the Report, and on being advised that the secured creditors of the Company who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel to Company, counsel for the Proposal Trustee, counsel for the DIP Lender, no one appearing for any other party although duly served as appears from the affidavit of service of Aiden Nelms sworn May 6, 2020;

SERVICE

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

ADMINISTRATION CHARGE

2. **THIS COURT ORDERS** that that the Proposal Trustee, the Proposal Trustee's counsel, and the Company's counsel, shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Company as part of the costs of these proceedings, both before and after the making of this Order. The Company is hereby authorized to pay the accounts of the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel on a weekly basis, provided that the accounts of the Proposal Trustee and the Proposal Trustee's counsel as paid are passed from time to time, and for this purpose the accounts are hereby referred to a judge of the Ontario Superior Court of Justice (Commercial List) at Toronto, Ontario.

3. **THIS COURT ORDERS** that the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the current and future assets, undertakings and properties of the Company of every nature and kind whatsoever (including all real and personal property), and wherever situate including all proceeds thereof (collectively, the "**Property**"), which charge shall not exceed an aggregate amount of \$300,000, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order. The Administration Charge shall have the priority set out in paragraphs 14 and 16 herein.

DIP FINANCING

4. **THIS COURT ORDERS** that the execution by the Company of the DIP Term Sheet (as hereinafter defined) is hereby approved, *nunc pro tunc*, and the Company is hereby authorized and empowered to perform its obligations under the DIP Term Sheet (subject to obtaining such Court and other approvals as may be required in connection with any step or transaction contemplated therein) and to obtain and borrow under the DIP Term Sheet among the Company, as borrower, and Arthur Zwingenberger as lender (the "**DIP Lender**"), in order to finance the Company's working capital requirements (including those of its operating facilities), and other general corporate purposes and capital expenditures, provided that borrowing under such credit facility shall not exceed \$4,000,000.

5. **THIS COURT ORDERS** that such credit facility shall be on substantially the terms and subject to the conditions set forth in the DIP term sheet agreement dated May 5, 2020, and attached as Exhibit "T" to the Ascott Affidavit (the "**DIP Term Sheet**"), together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee.

6. **THIS COURT ORDERS** that the Company and the DIP Lender are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (such documents, together with the DIP Term Sheet, 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 together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee, and the Company is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

7. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which charge shall not exceed an aggregate amount of \$4,000,000, which DIP Lender's Charge shall not secure an

obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 14 and 16 herein.

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

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge: (i) the DIP Lender may cease making advances to the Company, and (ii) the DIP Lender may make demand, accelerate payment and give other notices, and upon 7 days' notice to the Company and the Proposal Trustee, exercise any and all of their rights and remedies against the Company or the Property under or pursuant to the Definitive Documents, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company and not have to wait 10 days to bring such a motion pursuant to section 243 of the BIA; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Company or the Property.

9. **THIS COURT ORDERS AND DECLARES** that all claims of the DIP Lender pursuant to the Definitive Documents are not claims that may be compromised pursuant to any proposal filed by the Company or any plan filed by the Company under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, without the consent of the DIP Lender and, except as contemplated in the Definitive Documents, the DIP Lender shall be treated as unaffected in any proposal or plan or other restructuring with respect to any obligations outstanding to the DIP Lender under or in respect of the Definitive Documents.

10. **THIS COURT ORDERS** that except to the extent contemplated by the Definitive Documents, the Company shall not file a proposal or plan in these proceedings or proceed with

any other restructuring that does not provide for the indefeasible payment in full in cash of the obligations outstanding under the Definitive Documents as a pre-condition to the implementation of any such proposal or plan or any other restructuring without the prior written consent of the DIP Lender.

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11. **THIS COURT ORDERS** that the Company shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Company after the commencement of the within proceedings provided that the occurrence giving rise to the indemnified obligations and liabilities shall have occurred after the effective time of this Order, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

12. **THIS COURT ORDERS** that the directors and officers of the Company shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$200,000, as security for the indemnity provided in paragraph 11 of this Order. The Directors' Charge shall have the priority set out in paragraphs 14 and 16 herein.

13. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary: (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge; and (b) the Company's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 11 of this Order.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

14. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge and the DIP Lenders' Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First - Administration Charge (up to the maximum amount of \$300,000);

Second - Directors' Charge (up to the maximum amount of \$200,000); and

Third - DIP Lenders' Charge (up to the maximum amount of \$4,000,000).

15. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

16. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") notwithstanding the order of perfection or attachment.

17. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that ranks in priority to, or *pari passu* with, any of the Charges, unless the Company also obtains the prior written consent of the Proposal Trustee and the chargees entitled to the benefit of such Charges (collectively, the "**Chargees**"), or further Order of this Court.

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

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

19. **THIS COURT ORDERS** that any of the Charges created by this Order over leases of real property in Canada shall only be a charge in the Company's interest in such real property leases.

ADDITIONAL PROTECTIONS

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

21. **THIS COURT ORDERS** that nothing herein contained shall require the Proposal Trustee to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Proposal Trustee from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Proposal Trustee shall not, as a result of this Order or anything done in pursuance of the Proposal Trustee's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

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

EXTENSION OF TIME TO MAKE A PROPOSAL

23. **THIS COURT ORDERS** that the time within which to make a proposal pursuant to section 62(1) of the BIA and the corresponding stay of proceedings provided for in section 69 of the BIA, be and are hereby extended in accordance with section 50.4(9) of the BIA to and including July 19, 2020.

SALE OF NON-MATERIAL ASSETS

24. **THIS COURT ORDERS** that the Company may explore opportunities for the sale of non-material assets with the prior approval of the Proposal Trustee and the DIP Lender, and may enter into and complete any transaction for non-material assets for proceeds not exceeding \$500,000 in the aggregate.

SERVICE AND NOTICE

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

26. **THIS COURT ORDERS** that the Company and the Proposal Trustee and each of their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Company's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

GENERAL

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

28. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as an interim receiver, receiver, receiver and manager, or trustee in bankruptcy of the Company or the Property or act as monitor if the proceeding is continued under the *Companies' Creditors Arrangement Act*.

29. **THIS COURT REQUESTS** the aid and recognition of any court or any judicial, regulatory, or administrative body in any province or territory of Canada and the Federal Court of Canada and any judicial, regulatory, or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States and the states of other subdivisions of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

30. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than (7) seven days' notice to the Company, the Proposal Trustee, the DIP Lender and any other party or parties likely to be affected by the Order sought or upon such other notice as this Court may order.

31. **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.

**IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED
IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF MUSKOKA GROWN LIMITED,
A CORPORATION INCORPORATED UNDER THE LAWS OF ONTARIO**

Estate / Court File No. 31-2643278

Estate / Court File No. 31-2643278

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST

Proceedings commenced in Toronto

NOI PROCESS ORDER

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)

Mike Shakra (LSO# 64604K)

Aiden Nelms (LSO# 74170S)

Tel: 416-863-1200


Fax: 416-863-1716

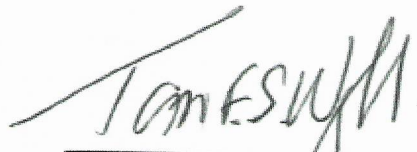
Lawyers for the Applicant

Second-Lien Convertible Debentureholder Consent

I am the registered and beneficial owner of \$ \$15,000.00 CAD aggregate principal amount of 8% second-lien convertible debentures due March 2023. In my capacity as such, I hereby consent to the order attached hereto as Schedule "A".

Dated May 5, 2020.


Witness DAVID GRAND


Name TOM WRIGHT

SCHEDULE "A"
ORDER

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

THE HONOURABLE MR.) WEDNESDAY, THE 6th
)
JUSTICE KOEHNEN) DAY OF MAY, 2020
)

**IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF MUSKOKA GROWN LIMITED, A CORPORATION
INCORPORATED UNDER THE LAWS OF ONTARIO**

NOI PROCESS ORDER

THIS MOTION, made by Muskoka Grown Limited (the "**Company**") pursuant to the *Bankruptcy and Insolvency Act* (Canada) R.S.C. 1985, c. C-36, as amended (the "**BIA**") for an order, *inter alia*: (i) abridging the time for service and filing of the Notice of Motion and the Motion Record and dispensing with further service and filing thereof; (ii) approving a super priority administration charge in the aggregate amount of \$300,000; (iii) approving a debtor-in-possession financing facility and a super priority charge in respect of amounts borrowed under such facility; (iv) approving a super priority charge in favour of the Company's directors and officers; (v) authorizing the Company to complete the sale of non-materials assets without Order of this Court for proceeds not exceeding \$500,000 in the aggregate; and (vi) approving the granting of an extension of the time to file a proposal and the corresponding stay of proceedings to and including July 19, 2020, was heard this day via video conference.

ON READING the Notice of Motion, the affidavit of David Ascott sworn May 5, 2020 (the "**Ascott Affidavit**") and the Exhibits thereto, the First Report (the "**First Report**") of A.

Farber & Partners Inc. in its capacity as Proposal Trustee (the "**Proposal Trustee**"), dated May 5, 2020, filed, and on reading the Company's cash-flow statement, appended as Appendix "B" to the Report, and on being advised that the secured creditors of the Company who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel to Company, counsel for the Proposal Trustee, counsel for the DIP Lender, no one appearing for any other party although duly served as appears from the affidavit of service of Aiden Nelms sworn May 6, 2020;

SERVICE

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

ADMINISTRATION CHARGE

2. **THIS COURT ORDERS** that that the Proposal Trustee, the Proposal Trustee's counsel, and the Company's counsel, shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Company as part of the costs of these proceedings, both before and after the making of this Order. The Company is hereby authorized to pay the accounts of the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel on a weekly basis, provided that the accounts of the Proposal Trustee and the Proposal Trustee's counsel as paid are passed from time to time, and for this purpose the accounts are hereby referred to a judge of the Ontario Superior Court of Justice (Commercial List) at Toronto, Ontario.

3. **THIS COURT ORDERS** that the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the current and future assets, undertakings and properties of the Company of every nature and kind whatsoever (including all real and personal property), and wherever situate including all proceeds thereof (collectively, the "**Property**"), which charge shall not exceed an aggregate amount of \$300,000, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order. The Administration Charge shall have the priority set out in paragraphs 14 and 16 herein.

DIP FINANCING

4. **THIS COURT ORDERS** that the execution by the Company of the DIP Term Sheet (as hereinafter defined) is hereby approved, *nunc pro tunc*, and the Company is hereby authorized and empowered to perform its obligations under the DIP Term Sheet (subject to obtaining such Court and other approvals as may be required in connection with any step or transaction contemplated therein) and to obtain and borrow under the DIP Term Sheet among the Company, as borrower, and Arthur Zwingenberger as lender (the "**DIP Lender**"), in order to finance the Company's working capital requirements (including those of its operating facilities), and other general corporate purposes and capital expenditures, provided that borrowing under such credit facility shall not exceed \$4,000,000.

5. **THIS COURT ORDERS** that such credit facility shall be on substantially the terms and subject to the conditions set forth in the DIP term sheet agreement dated May 5, 2020, and attached as Exhibit "T" to the Ascott Affidavit (the "**DIP Term Sheet**"), together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee.

6. **THIS COURT ORDERS** that the Company and the DIP Lender are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (such documents, together with the DIP Term Sheet, 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 together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee, and the Company is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

7. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which charge shall not exceed an aggregate amount of \$4,000,000, which DIP Lender's Charge shall not secure an

obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 14 and 16 herein.

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

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge: (i) the DIP Lender may cease making advances to the Company, and (ii) the DIP Lender may make demand, accelerate payment and give other notices, and upon 7 days' notice to the Company and the Proposal Trustee, exercise any and all of their rights and remedies against the Company or the Property under or pursuant to the Definitive Documents, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company and not have to wait 10 days to bring such a motion pursuant to section 243 of the BIA; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Company or the Property.

9. **THIS COURT ORDERS AND DECLARES** that all claims of the DIP Lender pursuant to the Definitive Documents are not claims that may be compromised pursuant to any proposal filed by the Company or any plan filed by the Company under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, without the consent of the DIP Lender and, except as contemplated in the Definitive Documents, the DIP Lender shall be treated as unaffected in any proposal or plan or other restructuring with respect to any obligations outstanding to the DIP Lender under or in respect of the Definitive Documents.

10. **THIS COURT ORDERS** that except to the extent contemplated by the Definitive Documents, the Company shall not file a proposal or plan in these proceedings or proceed with

any other restructuring that does not provide for the indefeasible payment in full in cash of the obligations outstanding under the Definitive Documents as a pre-condition to the implementation of any such proposal or plan or any other restructuring without the prior written consent of the DIP Lender.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

11. **THIS COURT ORDERS** that the Company shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Company after the commencement of the within proceedings provided that the occurrence giving rise to the indemnified obligations and liabilities shall have occurred after the effective time of this Order, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

12. **THIS COURT ORDERS** that the directors and officers of the Company shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$200,000, as security for the indemnity provided in paragraph 11 of this Order. The Directors' Charge shall have the priority set out in paragraphs 14 and 16 herein.

13. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary: (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge; and (b) the Company's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 11 of this Order.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

14. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge and the DIP Lenders' Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First - Administration Charge (up to the maximum amount of \$300,000);

Second - Directors' Charge (up to the maximum amount of \$200,000); and

Third - DIP Lenders' Charge (up to the maximum amount of \$4,000,000).

15. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

16. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") notwithstanding the order of perfection or attachment.

17. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that ranks in priority to, or *pari passu* with, any of the Charges, unless the Company also obtains the prior written consent of the Proposal Trustee and the chargees entitled to the benefit of such Charges (collectively, the "**Chargees**"), or further Order of this Court.

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

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

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

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23. **THIS COURT ORDERS** that the time within which to make a proposal pursuant to section 62(1) of the BIA and the corresponding stay of proceedings provided for in section 69 of the BIA, be and are hereby extended in accordance with section 50.4(9) of the BIA to and including July 19, 2020.

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24. **THIS COURT ORDERS** that the Company may explore opportunities for the sale of non-material assets with the prior approval of the Proposal Trustee and the DIP Lender, and may enter into and complete any transaction for non-material assets for proceeds not exceeding \$500,000 in the aggregate.

SERVICE AND NOTICE

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

26. **THIS COURT ORDERS** that the Company and the Proposal Trustee and each of their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Company's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

GENERAL

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

28. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as an interim receiver, receiver, receiver and manager, or trustee in bankruptcy of the Company or the Property or act as monitor if the proceeding is continued under the *Companies' Creditors Arrangement Act*.

29. **THIS COURT REQUESTS** the aid and recognition of any court or any judicial, regulatory, or administrative body in any province or territory of Canada and the Federal Court of Canada and any judicial, regulatory, or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States and the states of other subdivisions of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

30. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than (7) seven days' notice to the Company, the Proposal Trustee, the DIP Lender and any other party or parties likely to be affected by the Order sought or upon such other notice as this Court may order.

31. **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.

**IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED
IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF MUSKOKA GROWN LIMITED,
A CORPORATION INCORPORATED UNDER THE LAWS OF ONTARIO**

Estate / Court File No. 31-2643278

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ONTARIO
SUPERIOR COURT OF JUSTICE
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Proceedings commenced in Toronto

NOI PROCESS ORDER

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
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Sean Zweig (LSO# 57307I)

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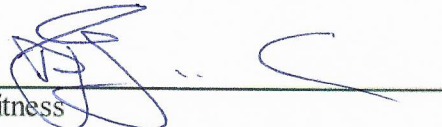
Fax: 416-863-1716


Lawyers for the Applicant

Second-Lien Convertible Debentureholder Consent

I am the registered and beneficial owner of \$ 30,000.00 aggregate principal amount of 8% second-lien convertible debentures due March 2023. In my capacity as such, I hereby consent to the order attached hereto as Schedule "A".

Dated May 6th, 2020.


Witness
DAVID CORANO


Name
DONNA COULSON

SCHEDULE "A"
ORDER

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

THE HONOURABLE MR.) WEDNESDAY, THE 6th
)
JUSTICE KOEHNEN) DAY OF MAY, 2020
)

**IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF MUSKOKA GROWN LIMITED, A CORPORATION
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NOI PROCESS ORDER

THIS MOTION, made by Muskoka Grown Limited (the "**Company**") pursuant to the *Bankruptcy and Insolvency Act* (Canada) R.S.C. 1985, c. C-36, as amended (the "**BIA**") for an order, *inter alia*: (i) abridging the time for service and filing of the Notice of Motion and the Motion Record and dispensing with further service and filing thereof; (ii) approving a super priority administration charge in the aggregate amount of \$300,000; (iii) approving a debtor-in-possession financing facility and a super priority charge in respect of amounts borrowed under such facility; (iv) approving a super priority charge in favour of the Company's directors and officers; (v) authorizing the Company to complete the sale of non-materials assets without Order of this Court for proceeds not exceeding \$500,000 in the aggregate; and (vi) approving the granting of an extension of the time to file a proposal and the corresponding stay of proceedings to and including July 19, 2020, was heard this day via video conference.

ON READING the Notice of Motion, the affidavit of David Ascott sworn May 5, 2020 (the "**Ascott Affidavit**") and the Exhibits thereto, the First Report (the "**First Report**") of A.

Farber & Partners Inc. in its capacity as Proposal Trustee (the "**Proposal Trustee**"), dated May 5, 2020, filed, and on reading the Company's cash-flow statement, appended as Appendix "B" to the Report, and on being advised that the secured creditors of the Company who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel to Company, counsel for the Proposal Trustee, counsel for the DIP Lender, no one appearing for any other party although duly served as appears from the affidavit of service of Aiden Nelms sworn May 6, 2020;

SERVICE

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

ADMINISTRATION CHARGE

2. **THIS COURT ORDERS** that that the Proposal Trustee, the Proposal Trustee's counsel, and the Company's counsel, shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Company as part of the costs of these proceedings, both before and after the making of this Order. The Company is hereby authorized to pay the accounts of the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel on a weekly basis, provided that the accounts of the Proposal Trustee and the Proposal Trustee's counsel as paid are passed from time to time, and for this purpose the accounts are hereby referred to a judge of the Ontario Superior Court of Justice (Commercial List) at Toronto, Ontario.

3. **THIS COURT ORDERS** that the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the current and future assets, undertakings and properties of the Company of every nature and kind whatsoever (including all real and personal property), and wherever situate including all proceeds thereof (collectively, the "**Property**"), which charge shall not exceed an aggregate amount of \$300,000, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order. The Administration Charge shall have the priority set out in paragraphs 14 and 16 herein.

DIP FINANCING

4. **THIS COURT ORDERS** that the execution by the Company of the DIP Term Sheet (as hereinafter defined) is hereby approved, *nunc pro tunc*, and the Company is hereby authorized and empowered to perform its obligations under the DIP Term Sheet (subject to obtaining such Court and other approvals as may be required in connection with any step or transaction contemplated therein) and to obtain and borrow under the DIP Term Sheet among the Company, as borrower, and Arthur Zwingenberger as lender (the "**DIP Lender**"), in order to finance the Company's working capital requirements (including those of its operating facilities), and other general corporate purposes and capital expenditures, provided that borrowing under such credit facility shall not exceed \$4,000,000.

5. **THIS COURT ORDERS** that such credit facility shall be on substantially the terms and subject to the conditions set forth in the DIP term sheet agreement dated May 5, 2020, and attached as Exhibit "T" to the Ascott Affidavit (the "**DIP Term Sheet**"), together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee.

6. **THIS COURT ORDERS** that the Company and the DIP Lender are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (such documents, together with the DIP Term Sheet, 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 together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee, and the Company is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

7. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which charge shall not exceed an aggregate amount of \$4,000,000, which DIP Lender's Charge shall not secure an

obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 14 and 16 herein.

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

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge: (i) the DIP Lender may cease making advances to the Company, and (ii) the DIP Lender may make demand, accelerate payment and give other notices, and upon 7 days' notice to the Company and the Proposal Trustee, exercise any and all of their rights and remedies against the Company or the Property under or pursuant to the Definitive Documents, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company and not have to wait 10 days to bring such a motion pursuant to section 243 of the BIA; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Company or the Property.

9. **THIS COURT ORDERS AND DECLARES** that all claims of the DIP Lender pursuant to the Definitive Documents are not claims that may be compromised pursuant to any proposal filed by the Company or any plan filed by the Company under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, without the consent of the DIP Lender and, except as contemplated in the Definitive Documents, the DIP Lender shall be treated as unaffected in any proposal or plan or other restructuring with respect to any obligations outstanding to the DIP Lender under or in respect of the Definitive Documents.

10. **THIS COURT ORDERS** that except to the extent contemplated by the Definitive Documents, the Company shall not file a proposal or plan in these proceedings or proceed with

any other restructuring that does not provide for the indefeasible payment in full in cash of the obligations outstanding under the Definitive Documents as a pre-condition to the implementation of any such proposal or plan or any other restructuring without the prior written consent of the DIP Lender.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

11. **THIS COURT ORDERS** that the Company shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Company after the commencement of the within proceedings provided that the occurrence giving rise to the indemnified obligations and liabilities shall have occurred after the effective time of this Order, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

12. **THIS COURT ORDERS** that the directors and officers of the Company shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$200,000, as security for the indemnity provided in paragraph 11 of this Order. The Directors' Charge shall have the priority set out in paragraphs 14 and 16 herein.

13. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary: (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge; and (b) the Company's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 11 of this Order.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

14. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge and the DIP Lenders' Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First - Administration Charge (up to the maximum amount of \$300,000);

Second - Directors' Charge (up to the maximum amount of \$200,000); and

Third - DIP Lenders' Charge (up to the maximum amount of \$4,000,000).

15. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

16. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") notwithstanding the order of perfection or attachment.

17. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that ranks in priority to, or *pari passu* with, any of the Charges, unless the Company also obtains the prior written consent of the Proposal Trustee and the chargees entitled to the benefit of such Charges (collectively, the "**Chargees**"), or further Order of this Court.

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

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

19. **THIS COURT ORDERS** that any of the Charges created by this Order over leases of real property in Canada shall only be a charge in the Company's interest in such real property leases.

ADDITIONAL PROTECTIONS

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

21. **THIS COURT ORDERS** that nothing herein contained shall require the Proposal Trustee to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Proposal Trustee from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Proposal Trustee shall not, as a result of this Order or anything done in pursuance of the Proposal Trustee's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

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

EXTENSION OF TIME TO MAKE A PROPOSAL

23. **THIS COURT ORDERS** that the time within which to make a proposal pursuant to section 62(1) of the BIA and the corresponding stay of proceedings provided for in section 69 of the BIA, be and are hereby extended in accordance with section 50.4(9) of the BIA to and including July 19, 2020.

SALE OF NON-MATERIAL ASSETS

24. **THIS COURT ORDERS** that the Company may explore opportunities for the sale of non-material assets with the prior approval of the Proposal Trustee and the DIP Lender, and may enter into and complete any transaction for non-material assets for proceeds not exceeding \$500,000 in the aggregate.

SERVICE AND NOTICE

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

26. **THIS COURT ORDERS** that the Company and the Proposal Trustee and each of their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Company's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

GENERAL

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

28. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as an interim receiver, receiver, receiver and manager, or trustee in bankruptcy of the Company or the Property or act as monitor if the proceeding is continued under the *Companies' Creditors Arrangement Act*.

29. **THIS COURT REQUESTS** the aid and recognition of any court or any judicial, regulatory, or administrative body in any province or territory of Canada and the Federal Court of Canada and any judicial, regulatory, or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States and the states of other subdivisions of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

30. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than (7) seven days' notice to the Company, the Proposal Trustee, the DIP Lender and any other party or parties likely to be affected by the Order sought or upon such other notice as this Court may order.

31. **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.

**IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED
IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF MUSKOKA GROWN LIMITED,
A CORPORATION INCORPORATED UNDER THE LAWS OF ONTARIO**

Estate / Court File No. 31-2643278

Estate / Court File No. 31-2643278

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST

Proceedings commenced in Toronto

NOI PROCESS ORDER

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)

Mike Shakra (LSO# 64604K)

Aiden Nelms (LSO# 74170S)

Tel: 416-863-1200

Fax: 416-863-1716


Lawyers for the Applicant

Second-Lien Convertible Debentureholder Consent


I am the registered and beneficial owner of \$ 100,000⁰⁰ aggregate principal amount of 8% second-lien convertible debentures due March 2023. In my capacity as such, I hereby consent to the order attached hereto as Schedule "A".


ALAN PDD

Dated May 5, 2020.



Witness
DAVID GRAND



Name


SCHEDULE "A"
ORDER

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

THE HONOURABLE MR.) WEDNESDAY, THE 6th
)
JUSTICE KOEHNEN) DAY OF MAY, 2020
)

**IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF MUSKOKA GROWN LIMITED, A CORPORATION
INCORPORATED UNDER THE LAWS OF ONTARIO**

NOI PROCESS ORDER

THIS MOTION, made by Muskoka Grown Limited (the "**Company**") pursuant to the *Bankruptcy and Insolvency Act* (Canada) R.S.C. 1985, c. C-36, as amended (the "**BIA**") for an order, *inter alia*: (i) abridging the time for service and filing of the Notice of Motion and the Motion Record and dispensing with further service and filing thereof; (ii) approving a super priority administration charge in the aggregate amount of \$300,000; (iii) approving a debtor-in-possession financing facility and a super priority charge in respect of amounts borrowed under such facility; (iv) approving a super priority charge in favour of the Company's directors and officers; (v) authorizing the Company to complete the sale of non-materials assets without Order of this Court for proceeds not exceeding \$500,000 in the aggregate; and (vi) approving the granting of an extension of the time to file a proposal and the corresponding stay of proceedings to and including July 19, 2020, was heard this day via video conference.

ON READING the Notice of Motion, the affidavit of David Ascott sworn May 5, 2020 (the "**Ascott Affidavit**") and the Exhibits thereto, the First Report (the "**First Report**") of A.

Farber & Partners Inc. in its capacity as Proposal Trustee (the "**Proposal Trustee**"), dated May 5, 2020, filed, and on reading the Company's cash-flow statement, appended as Appendix "B" to the Report, and on being advised that the secured creditors of the Company who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel to Company, counsel for the Proposal Trustee, counsel for the DIP Lender, no one appearing for any other party although duly served as appears from the affidavit of service of Aiden Nelms sworn May 6, 2020;

SERVICE

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

ADMINISTRATION CHARGE

2. **THIS COURT ORDERS** that that the Proposal Trustee, the Proposal Trustee's counsel, and the Company's counsel, shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Company as part of the costs of these proceedings, both before and after the making of this Order. The Company is hereby authorized to pay the accounts of the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel on a weekly basis, provided that the accounts of the Proposal Trustee and the Proposal Trustee's counsel as paid are passed from time to time, and for this purpose the accounts are hereby referred to a judge of the Ontario Superior Court of Justice (Commercial List) at Toronto, Ontario.

3. **THIS COURT ORDERS** that the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the current and future assets, undertakings and properties of the Company of every nature and kind whatsoever (including all real and personal property), and wherever situate including all proceeds thereof (collectively, the "**Property**"), which charge shall not exceed an aggregate amount of \$300,000, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order. The Administration Charge shall have the priority set out in paragraphs 14 and 16 herein.

DIP FINANCING

4. **THIS COURT ORDERS** that the execution by the Company of the DIP Term Sheet (as hereinafter defined) is hereby approved, *nunc pro tunc*, and the Company is hereby authorized and empowered to perform its obligations under the DIP Term Sheet (subject to obtaining such Court and other approvals as may be required in connection with any step or transaction contemplated therein) and to obtain and borrow under the DIP Term Sheet among the Company, as borrower, and Arthur Zwingenberger as lender (the "**DIP Lender**"), in order to finance the Company's working capital requirements (including those of its operating facilities), and other general corporate purposes and capital expenditures, provided that borrowing under such credit facility shall not exceed \$4,000,000.

5. **THIS COURT ORDERS** that such credit facility shall be on substantially the terms and subject to the conditions set forth in the DIP term sheet agreement dated May 5, 2020, and attached as Exhibit "T" to the Ascott Affidavit (the "**DIP Term Sheet**"), together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee.

6. **THIS COURT ORDERS** that the Company and the DIP Lender are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (such documents, together with the DIP Term Sheet, 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 together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee, and the Company is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

7. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which charge shall not exceed an aggregate amount of \$4,000,000, which DIP Lender's Charge shall not secure an

obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 14 and 16 herein.

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

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge: (i) the DIP Lender may cease making advances to the Company, and (ii) the DIP Lender may make demand, accelerate payment and give other notices, and upon 7 days' notice to the Company and the Proposal Trustee, exercise any and all of their rights and remedies against the Company or the Property under or pursuant to the Definitive Documents, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company and not have to wait 10 days to bring such a motion pursuant to section 243 of the BIA; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Company or the Property.

9. **THIS COURT ORDERS AND DECLARES** that all claims of the DIP Lender pursuant to the Definitive Documents are not claims that may be compromised pursuant to any proposal filed by the Company or any plan filed by the Company under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, without the consent of the DIP Lender and, except as contemplated in the Definitive Documents, the DIP Lender shall be treated as unaffected in any proposal or plan or other restructuring with respect to any obligations outstanding to the DIP Lender under or in respect of the Definitive Documents.

10. **THIS COURT ORDERS** that except to the extent contemplated by the Definitive Documents, the Company shall not file a proposal or plan in these proceedings or proceed with

any other restructuring that does not provide for the indefeasible payment in full in cash of the obligations outstanding under the Definitive Documents as a pre-condition to the implementation of any such proposal or plan or any other restructuring without the prior written consent of the DIP Lender.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

11. **THIS COURT ORDERS** that the Company shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Company after the commencement of the within proceedings provided that the occurrence giving rise to the indemnified obligations and liabilities shall have occurred after the effective time of this Order, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

12. **THIS COURT ORDERS** that the directors and officers of the Company shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$200,000, as security for the indemnity provided in paragraph 11 of this Order. The Directors' Charge shall have the priority set out in paragraphs 14 and 16 herein.

13. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary: (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge; and (b) the Company's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 11 of this Order.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

14. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge and the DIP Lenders' Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First - Administration Charge (up to the maximum amount of \$300,000);

Second - Directors' Charge (up to the maximum amount of \$200,000); and

Third - DIP Lenders' Charge (up to the maximum amount of \$4,000,000).

15. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

16. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") notwithstanding the order of perfection or attachment.

17. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that ranks in priority to, or *pari passu* with, any of the Charges, unless the Company also obtains the prior written consent of the Proposal Trustee and the chargees entitled to the benefit of such Charges (collectively, the "**Chargees**"), or further Order of this Court.

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

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

19. **THIS COURT ORDERS** that any of the Charges created by this Order over leases of real property in Canada shall only be a charge in the Company's interest in such real property leases.

ADDITIONAL PROTECTIONS

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

21. **THIS COURT ORDERS** that nothing herein contained shall require the Proposal Trustee to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Proposal Trustee from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Proposal Trustee shall not, as a result of this Order or anything done in pursuance of the Proposal Trustee's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

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

EXTENSION OF TIME TO MAKE A PROPOSAL

23. **THIS COURT ORDERS** that the time within which to make a proposal pursuant to section 62(1) of the BIA and the corresponding stay of proceedings provided for in section 69 of the BIA, be and are hereby extended in accordance with section 50.4(9) of the BIA to and including July 19, 2020.

SALE OF NON-MATERIAL ASSETS

24. **THIS COURT ORDERS** that the Company may explore opportunities for the sale of non-material assets with the prior approval of the Proposal Trustee and the DIP Lender, and may enter into and complete any transaction for non-material assets for proceeds not exceeding \$500,000 in the aggregate.

SERVICE AND NOTICE

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

26. **THIS COURT ORDERS** that the Company and the Proposal Trustee and each of their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Company's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

GENERAL

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

28. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as an interim receiver, receiver, receiver and manager, or trustee in bankruptcy of the Company or the Property or act as monitor if the proceeding is continued under the *Companies' Creditors Arrangement Act*.

29. **THIS COURT REQUESTS** the aid and recognition of any court or any judicial, regulatory, or administrative body in any province or territory of Canada and the Federal Court of Canada and any judicial, regulatory, or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States and the states of other subdivisions of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

30. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than (7) seven days' notice to the Company, the Proposal Trustee, the DIP Lender and any other party or parties likely to be affected by the Order sought or upon such other notice as this Court may order.

31. **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.

**IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED
IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF MUSKOKA GROWN LIMITED,
A CORPORATION INCORPORATED UNDER THE LAWS OF ONTARIO**

Estate / Court File No. 31-2643278

Estate / Court File No. 31-2643278

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST

Proceedings commenced in Toronto

NOI PROCESS ORDER

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)

Mike Shakra (LSO# 64604K)

Aiden Nelms (LSO# 74170S)

Tel: 416-863-1200

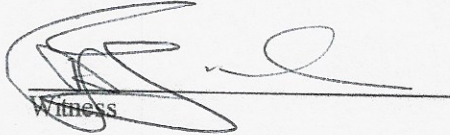
Fax: 416-863-1716

Lawyers for the Applicant

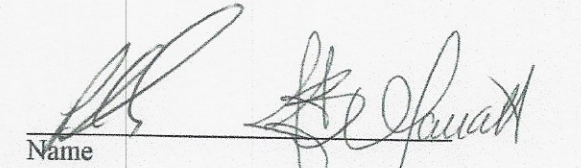
Second-Lien Convertible Debentureholder Consent

I am the registered and beneficial owner of \$ 50,000.00 aggregate principal amount of 8% second-lien convertible debentures due March 2023. In my capacity as such, I hereby consent to the order attached hereto as Schedule "A".

Dated May 7, 2020.



Witness
DAVID GRAND



Name
PHILIP GARRATI + JANE
GARRATI

SCHEDULE "A"
ORDER

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

THE HONOURABLE MR.) WEDNESDAY, THE 6th
)
JUSTICE KOEHNEN) DAY OF MAY, 2020
)

**IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF MUSKOKA GROWN LIMITED, A CORPORATION
INCORPORATED UNDER THE LAWS OF ONTARIO**

NOI PROCESS ORDER

THIS MOTION, made by Muskoka Grown Limited (the "**Company**") pursuant to the *Bankruptcy and Insolvency Act* (Canada) R.S.C. 1985, c. C-36, as amended (the "**BIA**") for an order, *inter alia*: (i) abridging the time for service and filing of the Notice of Motion and the Motion Record and dispensing with further service and filing thereof; (ii) approving a super priority administration charge in the aggregate amount of \$300,000; (iii) approving a debtor-in-possession financing facility and a super priority charge in respect of amounts borrowed under such facility; (iv) approving a super priority charge in favour of the Company's directors and officers; (v) authorizing the Company to complete the sale of non-materials assets without Order of this Court for proceeds not exceeding \$500,000 in the aggregate; and (vi) approving the granting of an extension of the time to file a proposal and the corresponding stay of proceedings to and including July 19, 2020, was heard this day via video conference.

ON READING the Notice of Motion, the affidavit of David Ascott sworn May 5, 2020 (the "**Ascott Affidavit**") and the Exhibits thereto, the First Report (the "**First Report**") of A.

Farber & Partners Inc. in its capacity as Proposal Trustee (the "**Proposal Trustee**"), dated May 5, 2020, filed, and on reading the Company's cash-flow statement, appended as Appendix "B" to the Report, and on being advised that the secured creditors of the Company who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel to Company, counsel for the Proposal Trustee, counsel for the DIP Lender, no one appearing for any other party although duly served as appears from the affidavit of service of Aiden Nelms sworn May 6, 2020;

SERVICE

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

ADMINISTRATION CHARGE

2. **THIS COURT ORDERS** that that the Proposal Trustee, the Proposal Trustee's counsel, and the Company's counsel, shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Company as part of the costs of these proceedings, both before and after the making of this Order. The Company is hereby authorized to pay the accounts of the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel on a weekly basis, provided that the accounts of the Proposal Trustee and the Proposal Trustee's counsel as paid are passed from time to time, and for this purpose the accounts are hereby referred to a judge of the Ontario Superior Court of Justice (Commercial List) at Toronto, Ontario.

3. **THIS COURT ORDERS** that the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the current and future assets, undertakings and properties of the Company of every nature and kind whatsoever (including all real and personal property), and wherever situate including all proceeds thereof (collectively, the "**Property**"), which charge shall not exceed an aggregate amount of \$300,000, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order. The Administration Charge shall have the priority set out in paragraphs 14 and 16 herein.

DIP FINANCING

4. **THIS COURT ORDERS** that the execution by the Company of the DIP Term Sheet (as hereinafter defined) is hereby approved, *nunc pro tunc*, and the Company is hereby authorized and empowered to perform its obligations under the DIP Term Sheet (subject to obtaining such Court and other approvals as may be required in connection with any step or transaction contemplated therein) and to obtain and borrow under the DIP Term Sheet among the Company, as borrower, and Arthur Zwingenberger as lender (the "**DIP Lender**"), in order to finance the Company's working capital requirements (including those of its operating facilities), and other general corporate purposes and capital expenditures, provided that borrowing under such credit facility shall not exceed \$4,000,000.

5. **THIS COURT ORDERS** that such credit facility shall be on substantially the terms and subject to the conditions set forth in the DIP term sheet agreement dated May 5, 2020, and attached as Exhibit "T" to the Ascott Affidavit (the "**DIP Term Sheet**"), together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee.

6. **THIS COURT ORDERS** that the Company and the DIP Lender are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (such documents, together with the DIP Term Sheet, 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 together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee, and the Company is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

7. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which charge shall not exceed an aggregate amount of \$4,000,000, which DIP Lender's Charge shall not secure an

obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 14 and 16 herein.

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

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge: (i) the DIP Lender may cease making advances to the Company, and (ii) the DIP Lender may make demand, accelerate payment and give other notices, and upon 7 days' notice to the Company and the Proposal Trustee, exercise any and all of their rights and remedies against the Company or the Property under or pursuant to the Definitive Documents, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company and not have to wait 10 days to bring such a motion pursuant to section 243 of the BIA; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Company or the Property.

9. **THIS COURT ORDERS AND DECLARES** that all claims of the DIP Lender pursuant to the Definitive Documents are not claims that may be compromised pursuant to any proposal filed by the Company or any plan filed by the Company under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, without the consent of the DIP Lender and, except as contemplated in the Definitive Documents, the DIP Lender shall be treated as unaffected in any proposal or plan or other restructuring with respect to any obligations outstanding to the DIP Lender under or in respect of the Definitive Documents.

10. **THIS COURT ORDERS** that except to the extent contemplated by the Definitive Documents, the Company shall not file a proposal or plan in these proceedings or proceed with

any other restructuring that does not provide for the indefeasible payment in full in cash of the obligations outstanding under the Definitive Documents as a pre-condition to the implementation of any such proposal or plan or any other restructuring without the prior written consent of the DIP Lender.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

11. **THIS COURT ORDERS** that the Company shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Company after the commencement of the within proceedings provided that the occurrence giving rise to the indemnified obligations and liabilities shall have occurred after the effective time of this Order, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

12. **THIS COURT ORDERS** that the directors and officers of the Company shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$200,000, as security for the indemnity provided in paragraph 11 of this Order. The Directors' Charge shall have the priority set out in paragraphs 14 and 16 herein.

13. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary: (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge; and (b) the Company's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 11 of this Order.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

14. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge and the DIP Lenders' Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First - Administration Charge (up to the maximum amount of \$300,000);

Second - Directors' Charge (up to the maximum amount of \$200,000); and

Third - DIP Lenders' Charge (up to the maximum amount of \$4,000,000).

15. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

16. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") notwithstanding the order of perfection or attachment.

17. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that ranks in priority to, or *pari passu* with, any of the Charges, unless the Company also obtains the prior written consent of the Proposal Trustee and the chargees entitled to the benefit of such Charges (collectively, the "**Chargees**"), or further Order of this Court.

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

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

19. **THIS COURT ORDERS** that any of the Charges created by this Order over leases of real property in Canada shall only be a charge in the Company's interest in such real property leases.

ADDITIONAL PROTECTIONS

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

21. **THIS COURT ORDERS** that nothing herein contained shall require the Proposal Trustee to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Proposal Trustee from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Proposal Trustee shall not, as a result of this Order or anything done in pursuance of the Proposal Trustee's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

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

EXTENSION OF TIME TO MAKE A PROPOSAL

23. **THIS COURT ORDERS** that the time within which to make a proposal pursuant to section 62(1) of the BIA and the corresponding stay of proceedings provided for in section 69 of the BIA, be and are hereby extended in accordance with section 50.4(9) of the BIA to and including July 19, 2020.

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SERVICE AND NOTICE

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

26. **THIS COURT ORDERS** that the Company and the Proposal Trustee and each of their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Company's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

GENERAL

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

28. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as an interim receiver, receiver, receiver and manager, or trustee in bankruptcy of the Company or the Property or act as monitor if the proceeding is continued under the *Companies' Creditors Arrangement Act*.

29. **THIS COURT REQUESTS** the aid and recognition of any court or any judicial, regulatory, or administrative body in any province or territory of Canada and the Federal Court of Canada and any judicial, regulatory, or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States and the states of other subdivisions of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

30. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than (7) seven days' notice to the Company, the Proposal Trustee, the DIP Lender and any other party or parties likely to be affected by the Order sought or upon such other notice as this Court may order.

31. **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.

**IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED
IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF MUSKOKA GROWN LIMITED,
A CORPORATION INCORPORATED UNDER THE LAWS OF ONTARIO**

Estate / Court File No. 31-2643278

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ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST

Proceedings commenced in Toronto

NOI PROCESS ORDER

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)

Mike Shakra (LSO# 64604K)

Aiden Nelms (LSO# 74170S)

Tel: 416-863-1200

Fax: 416-863-1716

Lawyers for the Applicant

Second-Lien Convertible Debentureholder Consent

I am the registered and beneficial owner of \$ 50 000 aggregate principal amount of 8% second-lien convertible debentures due March 2023. In my capacity as such, I hereby consent to the order attached hereto as Schedule "A".

Dated May 7, 2020.

[Handwritten Signature]
Witness

Tim Griffiths
Name

SCHEDULE "A"
ORDER

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

THE HONOURABLE MR.) WEDNESDAY, THE 6th
)
JUSTICE KOEHNEN) DAY OF MAY, 2020
)

**IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF MUSKOKA GROWN LIMITED, A CORPORATION
INCORPORATED UNDER THE LAWS OF ONTARIO**

NOI PROCESS ORDER

THIS MOTION, made by Muskoka Grown Limited (the "**Company**") pursuant to the *Bankruptcy and Insolvency Act* (Canada) R.S.C. 1985, c. C-36, as amended (the "**BIA**") for an order, *inter alia*: (i) abridging the time for service and filing of the Notice of Motion and the Motion Record and dispensing with further service and filing thereof; (ii) approving a super priority administration charge in the aggregate amount of \$300,000; (iii) approving a debtor-in-possession financing facility and a super priority charge in respect of amounts borrowed under such facility; (iv) approving a super priority charge in favour of the Company's directors and officers; (v) authorizing the Company to complete the sale of non-materials assets without Order of this Court for proceeds not exceeding \$500,000 in the aggregate; and (vi) approving the granting of an extension of the time to file a proposal and the corresponding stay of proceedings to and including July 19, 2020, was heard this day via video conference.

ON READING the Notice of Motion, the affidavit of David Ascott sworn May 5, 2020 (the "**Ascott Affidavit**") and the Exhibits thereto, the First Report (the "**First Report**") of A.

Farber & Partners Inc. in its capacity as Proposal Trustee (the "**Proposal Trustee**"), dated May 5, 2020, filed, and on reading the Company's cash-flow statement, appended as Appendix "B" to the Report, and on being advised that the secured creditors of the Company who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel to Company, counsel for the Proposal Trustee, counsel for the DIP Lender, no one appearing for any other party although duly served as appears from the affidavit of service of Aiden Nelms sworn May 6, 2020;

SERVICE

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

ADMINISTRATION CHARGE

2. **THIS COURT ORDERS** that that the Proposal Trustee, the Proposal Trustee's counsel, and the Company's counsel, shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Company as part of the costs of these proceedings, both before and after the making of this Order. The Company is hereby authorized to pay the accounts of the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel on a weekly basis, provided that the accounts of the Proposal Trustee and the Proposal Trustee's counsel as paid are passed from time to time, and for this purpose the accounts are hereby referred to a judge of the Ontario Superior Court of Justice (Commercial List) at Toronto, Ontario.

3. **THIS COURT ORDERS** that the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the current and future assets, undertakings and properties of the Company of every nature and kind whatsoever (including all real and personal property), and wherever situate including all proceeds thereof (collectively, the "**Property**"), which charge shall not exceed an aggregate amount of \$300,000, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order. The Administration Charge shall have the priority set out in paragraphs 14 and 16 herein.

DIP FINANCING

4. **THIS COURT ORDERS** that the execution by the Company of the DIP Term Sheet (as hereinafter defined) is hereby approved, *nunc pro tunc*, and the Company is hereby authorized and empowered to perform its obligations under the DIP Term Sheet (subject to obtaining such Court and other approvals as may be required in connection with any step or transaction contemplated therein) and to obtain and borrow under the DIP Term Sheet among the Company, as borrower, and Arthur Zwingenberger as lender (the "**DIP Lender**"), in order to finance the Company's working capital requirements (including those of its operating facilities), and other general corporate purposes and capital expenditures, provided that borrowing under such credit facility shall not exceed \$4,000,000.

5. **THIS COURT ORDERS** that such credit facility shall be on substantially the terms and subject to the conditions set forth in the DIP term sheet agreement dated May 5, 2020, and attached as Exhibit "T" to the Ascott Affidavit (the "**DIP Term Sheet**"), together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee.

6. **THIS COURT ORDERS** that the Company and the DIP Lender are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (such documents, together with the DIP Term Sheet, 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 together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee, and the Company is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

7. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which charge shall not exceed an aggregate amount of \$4,000,000, which DIP Lender's Charge shall not secure an

obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 14 and 16 herein.

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

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge: (i) the DIP Lender may cease making advances to the Company, and (ii) the DIP Lender may make demand, accelerate payment and give other notices, and upon 7 days' notice to the Company and the Proposal Trustee, exercise any and all of their rights and remedies against the Company or the Property under or pursuant to the Definitive Documents, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company and not have to wait 10 days to bring such a motion pursuant to section 243 of the BIA; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Company or the Property.

9. **THIS COURT ORDERS AND DECLARES** that all claims of the DIP Lender pursuant to the Definitive Documents are not claims that may be compromised pursuant to any proposal filed by the Company or any plan filed by the Company under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, without the consent of the DIP Lender and, except as contemplated in the Definitive Documents, the DIP Lender shall be treated as unaffected in any proposal or plan or other restructuring with respect to any obligations outstanding to the DIP Lender under or in respect of the Definitive Documents.

10. **THIS COURT ORDERS** that except to the extent contemplated by the Definitive Documents, the Company shall not file a proposal or plan in these proceedings or proceed with

any other restructuring that does not provide for the indefeasible payment in full in cash of the obligations outstanding under the Definitive Documents as a pre-condition to the implementation of any such proposal or plan or any other restructuring without the prior written consent of the DIP Lender.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

11. **THIS COURT ORDERS** that the Company shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Company after the commencement of the within proceedings provided that the occurrence giving rise to the indemnified obligations and liabilities shall have occurred after the effective time of this Order, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

12. **THIS COURT ORDERS** that the directors and officers of the Company shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$200,000, as security for the indemnity provided in paragraph 11 of this Order. The Directors' Charge shall have the priority set out in paragraphs 14 and 16 herein.

13. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary: (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge; and (b) the Company's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 11 of this Order.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

14. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge and the DIP Lenders' Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First - Administration Charge (up to the maximum amount of \$300,000);

Second - Directors' Charge (up to the maximum amount of \$200,000); and

Third - DIP Lenders' Charge (up to the maximum amount of \$4,000,000).

15. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

16. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") notwithstanding the order of perfection or attachment.

17. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that ranks in priority to, or *pari passu* with, any of the Charges, unless the Company also obtains the prior written consent of the Proposal Trustee and the chargees entitled to the benefit of such Charges (collectively, the "**Chargees**"), or further Order of this Court.

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

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

19. **THIS COURT ORDERS** that any of the Charges created by this Order over leases of real property in Canada shall only be a charge in the Company's interest in such real property leases.

ADDITIONAL PROTECTIONS

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

21. **THIS COURT ORDERS** that nothing herein contained shall require the Proposal Trustee to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Proposal Trustee from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Proposal Trustee shall not, as a result of this Order or anything done in pursuance of the Proposal Trustee's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

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

EXTENSION OF TIME TO MAKE A PROPOSAL

23. **THIS COURT ORDERS** that the time within which to make a proposal pursuant to section 62(1) of the BIA and the corresponding stay of proceedings provided for in section 69 of the BIA, be and are hereby extended in accordance with section 50.4(9) of the BIA to and including July 19, 2020.

SALE OF NON-MATERIAL ASSETS

24. **THIS COURT ORDERS** that the Company may explore opportunities for the sale of non-material assets with the prior approval of the Proposal Trustee and the DIP Lender, and may enter into and complete any transaction for non-material assets for proceeds not exceeding \$500,000 in the aggregate.

SERVICE AND NOTICE

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

26. **THIS COURT ORDERS** that the Company and the Proposal Trustee and each of their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Company's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

GENERAL

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

28. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as an interim receiver, receiver, receiver and manager, or trustee in bankruptcy of the Company or the Property or act as monitor if the proceeding is continued under the *Companies' Creditors Arrangement Act*.

29. **THIS COURT REQUESTS** the aid and recognition of any court or any judicial, regulatory, or administrative body in any province or territory of Canada and the Federal Court of Canada and any judicial, regulatory, or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States and the states of other subdivisions of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

30. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than (7) seven days' notice to the Company, the Proposal Trustee, the DIP Lender and any other party or parties likely to be affected by the Order sought or upon such other notice as this Court may order.

31. **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.

**IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED
IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF MUSKOKA GROWN LIMITED,
A CORPORATION INCORPORATED UNDER THE LAWS OF ONTARIO**

Estate / Court File No. 31-2643278

Estate / Court File No. 31-2643278

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST

Proceedings commenced in Toronto

NOI PROCESS ORDER

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)

Mike Shakra (LSO# 64604K)

Aiden Nelms (LSO# 74170S)

Tel: 416-863-1200

Fax: 416-863-1716

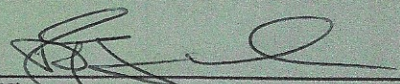
Lawyers for the Applicant

Second-Lien Convertible Debentureholder Consent

I am the registered and beneficial owner of \$100,000 aggregate principal amount of 8% second-lien convertible debentures due March 2023. In my capacity as such, I hereby consent to the order attached hereto as Schedule "A".

Dated May 7, 2020.

JODI WRIGHT NEIL RITCHIE


Witness
DAVID CRAWFORD

Jodi Wright Neil Ritchie
Name

SCHEDULE "A"
ORDER

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

THE HONOURABLE MR.) WEDNESDAY, THE 6th
)
JUSTICE KOEHNEN) DAY OF MAY, 2020
)

**IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF MUSKOKA GROWN LIMITED, A CORPORATION
INCORPORATED UNDER THE LAWS OF ONTARIO**

NOI PROCESS ORDER

THIS MOTION, made by Muskoka Grown Limited (the "**Company**") pursuant to the *Bankruptcy and Insolvency Act* (Canada) R.S.C. 1985, c. C-36, as amended (the "**BIA**") for an order, *inter alia*: (i) abridging the time for service and filing of the Notice of Motion and the Motion Record and dispensing with further service and filing thereof; (ii) approving a super priority administration charge in the aggregate amount of \$300,000; (iii) approving a debtor-in-possession financing facility and a super priority charge in respect of amounts borrowed under such facility; (iv) approving a super priority charge in favour of the Company's directors and officers; (v) authorizing the Company to complete the sale of non-materials assets without Order of this Court for proceeds not exceeding \$500,000 in the aggregate; and (vi) approving the granting of an extension of the time to file a proposal and the corresponding stay of proceedings to and including July 19, 2020, was heard this day via video conference.

ON READING the Notice of Motion, the affidavit of David Ascott sworn May 5, 2020 (the "**Ascott Affidavit**") and the Exhibits thereto, the First Report (the "**First Report**") of A.

Farber & Partners Inc. in its capacity as Proposal Trustee (the "**Proposal Trustee**"), dated May 5, 2020, filed, and on reading the Company's cash-flow statement, appended as Appendix "B" to the Report, and on being advised that the secured creditors of the Company who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel to Company, counsel for the Proposal Trustee, counsel for the DIP Lender, no one appearing for any other party although duly served as appears from the affidavit of service of Aiden Nelms sworn May 6, 2020;

SERVICE

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

ADMINISTRATION CHARGE

2. **THIS COURT ORDERS** that that the Proposal Trustee, the Proposal Trustee's counsel, and the Company's counsel, shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Company as part of the costs of these proceedings, both before and after the making of this Order. The Company is hereby authorized to pay the accounts of the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel on a weekly basis, provided that the accounts of the Proposal Trustee and the Proposal Trustee's counsel as paid are passed from time to time, and for this purpose the accounts are hereby referred to a judge of the Ontario Superior Court of Justice (Commercial List) at Toronto, Ontario.

3. **THIS COURT ORDERS** that the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the current and future assets, undertakings and properties of the Company of every nature and kind whatsoever (including all real and personal property), and wherever situate including all proceeds thereof (collectively, the "**Property**"), which charge shall not exceed an aggregate amount of \$300,000, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order. The Administration Charge shall have the priority set out in paragraphs 14 and 16 herein.

DIP FINANCING

4. **THIS COURT ORDERS** that the execution by the Company of the DIP Term Sheet (as hereinafter defined) is hereby approved, *nunc pro tunc*, and the Company is hereby authorized and empowered to perform its obligations under the DIP Term Sheet (subject to obtaining such Court and other approvals as may be required in connection with any step or transaction contemplated therein) and to obtain and borrow under the DIP Term Sheet among the Company, as borrower, and Arthur Zwingenberger as lender (the "**DIP Lender**"), in order to finance the Company's working capital requirements (including those of its operating facilities), and other general corporate purposes and capital expenditures, provided that borrowing under such credit facility shall not exceed \$4,000,000.

5. **THIS COURT ORDERS** that such credit facility shall be on substantially the terms and subject to the conditions set forth in the DIP term sheet agreement dated May 5, 2020, and attached as Exhibit "T" to the Ascott Affidavit (the "**DIP Term Sheet**"), together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee.

6. **THIS COURT ORDERS** that the Company and the DIP Lender are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (such documents, together with the DIP Term Sheet, 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 together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee, and the Company is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

7. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which charge shall not exceed an aggregate amount of \$4,000,000, which DIP Lender's Charge shall not secure an

obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 14 and 16 herein.

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

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge: (i) the DIP Lender may cease making advances to the Company, and (ii) the DIP Lender may make demand, accelerate payment and give other notices, and upon 7 days' notice to the Company and the Proposal Trustee, exercise any and all of their rights and remedies against the Company or the Property under or pursuant to the Definitive Documents, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company and not have to wait 10 days to bring such a motion pursuant to section 243 of the BIA; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Company or the Property.

9. **THIS COURT ORDERS AND DECLARES** that all claims of the DIP Lender pursuant to the Definitive Documents are not claims that may be compromised pursuant to any proposal filed by the Company or any plan filed by the Company under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, without the consent of the DIP Lender and, except as contemplated in the Definitive Documents, the DIP Lender shall be treated as unaffected in any proposal or plan or other restructuring with respect to any obligations outstanding to the DIP Lender under or in respect of the Definitive Documents.

10. **THIS COURT ORDERS** that except to the extent contemplated by the Definitive Documents, the Company shall not file a proposal or plan in these proceedings or proceed with

any other restructuring that does not provide for the indefeasible payment in full in cash of the obligations outstanding under the Definitive Documents as a pre-condition to the implementation of any such proposal or plan or any other restructuring without the prior written consent of the DIP Lender.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

11. **THIS COURT ORDERS** that the Company shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Company after the commencement of the within proceedings provided that the occurrence giving rise to the indemnified obligations and liabilities shall have occurred after the effective time of this Order, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

12. **THIS COURT ORDERS** that the directors and officers of the Company shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$200,000, as security for the indemnity provided in paragraph 11 of this Order. The Directors' Charge shall have the priority set out in paragraphs 14 and 16 herein.

13. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary: (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge; and (b) the Company's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 11 of this Order.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

14. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge and the DIP Lenders' Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First - Administration Charge (up to the maximum amount of \$300,000);

Second - Directors' Charge (up to the maximum amount of \$200,000); and

Third - DIP Lenders' Charge (up to the maximum amount of \$4,000,000).

15. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

16. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") notwithstanding the order of perfection or attachment.

17. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that ranks in priority to, or *pari passu* with, any of the Charges, unless the Company also obtains the prior written consent of the Proposal Trustee and the chargees entitled to the benefit of such Charges (collectively, the "**Chargees**"), or further Order of this Court.

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

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

19. **THIS COURT ORDERS** that any of the Charges created by this Order over leases of real property in Canada shall only be a charge in the Company's interest in such real property leases.

ADDITIONAL PROTECTIONS

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

21. **THIS COURT ORDERS** that nothing herein contained shall require the Proposal Trustee to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Proposal Trustee from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Proposal Trustee shall not, as a result of this Order or anything done in pursuance of the Proposal Trustee's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

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

EXTENSION OF TIME TO MAKE A PROPOSAL

23. **THIS COURT ORDERS** that the time within which to make a proposal pursuant to section 62(1) of the BIA and the corresponding stay of proceedings provided for in section 69 of the BIA, be and are hereby extended in accordance with section 50.4(9) of the BIA to and including July 19, 2020.

SALE OF NON-MATERIAL ASSETS

24. **THIS COURT ORDERS** that the Company may explore opportunities for the sale of non-material assets with the prior approval of the Proposal Trustee and the DIP Lender, and may enter into and complete any transaction for non-material assets for proceeds not exceeding \$500,000 in the aggregate.

SERVICE AND NOTICE

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

26. **THIS COURT ORDERS** that the Company and the Proposal Trustee and each of their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Company's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

GENERAL

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

28. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as an interim receiver, receiver, receiver and manager, or trustee in bankruptcy of the Company or the Property or act as monitor if the proceeding is continued under the *Companies' Creditors Arrangement Act*.

29. **THIS COURT REQUESTS** the aid and recognition of any court or any judicial, regulatory, or administrative body in any province or territory of Canada and the Federal Court of Canada and any judicial, regulatory, or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States and the states of other subdivisions of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

30. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than (7) seven days' notice to the Company, the Proposal Trustee, the DIP Lender and any other party or parties likely to be affected by the Order sought or upon such other notice as this Court may order.

31. **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.

**IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED
IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF MUSKOKA GROWN LIMITED,
A CORPORATION INCORPORATED UNDER THE LAWS OF ONTARIO**

Estate / Court File No. 31-2643278

Estate / Court File No. 31-2643278

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST

Proceedings commenced in Toronto

NOI PROCESS ORDER

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)

Mike Shakra (LSO# 64604K)

Aiden Nelms (LSO# 74170S)

Tel: 416-863-1200


Fax: 416-863-1716

Lawyers for the Applicant

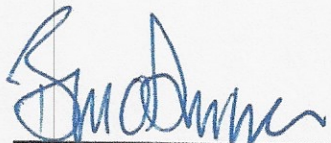
Second-Lien Convertible Debentureholder Consent

I am the registered and beneficial owner of \$ 500,000 aggregate principal amount of 8% second-lien convertible debentures due March 2023. In my capacity as such, I hereby consent to the order attached hereto as Schedule "A".

Dated May 6, 2020.



Witness
DAVID GRAW.



Name
Bill O'Dwyer.

SCHEDULE "A"
ORDER

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

THE HONOURABLE MR.) WEDNESDAY, THE 6th
)
JUSTICE KOEHNEN) DAY OF MAY, 2020
)

**IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF MUSKOKA GROWN LIMITED, A CORPORATION
INCORPORATED UNDER THE LAWS OF ONTARIO**

NOI PROCESS ORDER

THIS MOTION, made by Muskoka Grown Limited (the "**Company**") pursuant to the *Bankruptcy and Insolvency Act* (Canada) R.S.C. 1985, c. C-36, as amended (the "**BIA**") for an order, *inter alia*: (i) abridging the time for service and filing of the Notice of Motion and the Motion Record and dispensing with further service and filing thereof; (ii) approving a super priority administration charge in the aggregate amount of \$300,000; (iii) approving a debtor-in-possession financing facility and a super priority charge in respect of amounts borrowed under such facility; (iv) approving a super priority charge in favour of the Company's directors and officers; (v) authorizing the Company to complete the sale of non-materials assets without Order of this Court for proceeds not exceeding \$500,000 in the aggregate; and (vi) approving the granting of an extension of the time to file a proposal and the corresponding stay of proceedings to and including July 19, 2020, was heard this day via video conference.

ON READING the Notice of Motion, the affidavit of David Ascott sworn May 5, 2020 (the "**Ascott Affidavit**") and the Exhibits thereto, the First Report (the "**First Report**") of A.

Farber & Partners Inc. in its capacity as Proposal Trustee (the "**Proposal Trustee**"), dated May 5, 2020, filed, and on reading the Company's cash-flow statement, appended as Appendix "B" to the Report, and on being advised that the secured creditors of the Company who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel to Company, counsel for the Proposal Trustee, counsel for the DIP Lender, no one appearing for any other party although duly served as appears from the affidavit of service of Aiden Nelms sworn May 6, 2020;

SERVICE

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

ADMINISTRATION CHARGE

2. **THIS COURT ORDERS** that that the Proposal Trustee, the Proposal Trustee's counsel, and the Company's counsel, shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Company as part of the costs of these proceedings, both before and after the making of this Order. The Company is hereby authorized to pay the accounts of the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel on a weekly basis, provided that the accounts of the Proposal Trustee and the Proposal Trustee's counsel as paid are passed from time to time, and for this purpose the accounts are hereby referred to a judge of the Ontario Superior Court of Justice (Commercial List) at Toronto, Ontario.

3. **THIS COURT ORDERS** that the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the current and future assets, undertakings and properties of the Company of every nature and kind whatsoever (including all real and personal property), and wherever situate including all proceeds thereof (collectively, the "**Property**"), which charge shall not exceed an aggregate amount of \$300,000, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order. The Administration Charge shall have the priority set out in paragraphs 14 and 16 herein.

DIP FINANCING

4. **THIS COURT ORDERS** that the execution by the Company of the DIP Term Sheet (as hereinafter defined) is hereby approved, *nunc pro tunc*, and the Company is hereby authorized and empowered to perform its obligations under the DIP Term Sheet (subject to obtaining such Court and other approvals as may be required in connection with any step or transaction contemplated therein) and to obtain and borrow under the DIP Term Sheet among the Company, as borrower, and Arthur Zwingenberger as lender (the "**DIP Lender**"), in order to finance the Company's working capital requirements (including those of its operating facilities), and other general corporate purposes and capital expenditures, provided that borrowing under such credit facility shall not exceed \$4,000,000.

5. **THIS COURT ORDERS** that such credit facility shall be on substantially the terms and subject to the conditions set forth in the DIP term sheet agreement dated May 5, 2020, and attached as Exhibit "T" to the Ascott Affidavit (the "**DIP Term Sheet**"), together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee.

6. **THIS COURT ORDERS** that the Company and the DIP Lender are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (such documents, together with the DIP Term Sheet, 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 together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee, and the Company is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

7. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which charge shall not exceed an aggregate amount of \$4,000,000, which DIP Lender's Charge shall not secure an

obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 14 and 16 herein.

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

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge: (i) the DIP Lender may cease making advances to the Company, and (ii) the DIP Lender may make demand, accelerate payment and give other notices, and upon 7 days' notice to the Company and the Proposal Trustee, exercise any and all of their rights and remedies against the Company or the Property under or pursuant to the Definitive Documents, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company and not have to wait 10 days to bring such a motion pursuant to section 243 of the BIA; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Company or the Property.

9. **THIS COURT ORDERS AND DECLARES** that all claims of the DIP Lender pursuant to the Definitive Documents are not claims that may be compromised pursuant to any proposal filed by the Company or any plan filed by the Company under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, without the consent of the DIP Lender and, except as contemplated in the Definitive Documents, the DIP Lender shall be treated as unaffected in any proposal or plan or other restructuring with respect to any obligations outstanding to the DIP Lender under or in respect of the Definitive Documents.

10. **THIS COURT ORDERS** that except to the extent contemplated by the Definitive Documents, the Company shall not file a proposal or plan in these proceedings or proceed with

any other restructuring that does not provide for the indefeasible payment in full in cash of the obligations outstanding under the Definitive Documents as a pre-condition to the implementation of any such proposal or plan or any other restructuring without the prior written consent of the DIP Lender.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

11. **THIS COURT ORDERS** that the Company shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Company after the commencement of the within proceedings provided that the occurrence giving rise to the indemnified obligations and liabilities shall have occurred after the effective time of this Order, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

12. **THIS COURT ORDERS** that the directors and officers of the Company shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$200,000, as security for the indemnity provided in paragraph 11 of this Order. The Directors' Charge shall have the priority set out in paragraphs 14 and 16 herein.

13. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary: (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge; and (b) the Company's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 11 of this Order.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

14. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge and the DIP Lenders' Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First - Administration Charge (up to the maximum amount of \$300,000);

Second - Directors' Charge (up to the maximum amount of \$200,000); and

Third - DIP Lenders' Charge (up to the maximum amount of \$4,000,000).

15. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

16. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") notwithstanding the order of perfection or attachment.

17. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that ranks in priority to, or *pari passu* with, any of the Charges, unless the Company also obtains the prior written consent of the Proposal Trustee and the chargees entitled to the benefit of such Charges (collectively, the "**Chargees**"), or further Order of this Court.

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

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

19. **THIS COURT ORDERS** that any of the Charges created by this Order over leases of real property in Canada shall only be a charge in the Company's interest in such real property leases.

ADDITIONAL PROTECTIONS

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

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IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF MUSKOKA GROWN LIMITED,
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One First Canadian Place
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Tel: 416-863-1200

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Lawyers for the Applicant