

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY)

Estate Number: 33-2618511

Court File No.: 33-2618511

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
EUREKA 93 INC. OF THE CITY OF OTTAWA IN THE PROVINCE OF ONTARIO
AND IN THE MATTER OF THREE RELATED INTENDED PROPOSALS (LIVEWELL
FOODS CANADA INC., ARTIVA INC., AND VITALITY CBD NATURAL HEALTH
PRODUCTS INC.)**

**SECOND REPORT OF THE PROPOSAL TRUSTEE
DELOITTE RESTRUCTURING INC.**

Dated March 23, 2020

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INTRODUCTION

1. This second report (the “**Second Report**”) is filed by Deloitte Restructuring Inc. (“**Deloitte**”) in its capacity as proposal trustee (the “**Proposal Trustee**”) in connection with the Notices of Intention to Make a Proposal (individually, an “**NOI**”, and collectively, the “**NOIs**”) filed by each of Eureka 93 Inc. (“**Eureka 93**”), LiveWell Foods Canada Inc. (“**LiveWell**”), Artiva Inc. (“**Artiva**”) and Vitality CBD Natural Health Products Inc. (“**Vitality**” and, together with Eureka 93, LiveWell and Artiva, the “**Companies**”).
2. On February 14, 2020 (the “**Filing Date**”), the Companies each filed an NOI under Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C 1985, c.B-3, as amended (the “**BIA**”). Deloitte was appointed as Proposal Trustee under each NOI. By way of Order of Justice MacLeod dated March 9, 2020 (the “**Initial Order**”), among other things, the proposal proceeding for each of the Companies was administratively consolidated under the Estate and Court File number of Eureka 93, and the date by which the Companies are required to file proposals was extended to April 29, 2020.
3. Paragraph 16 of the Initial Order directs the Proposal Trustee, beginning on March 23, 2020, to file with the Court, and deliver to any party on the Service List who requests a copy, a bi-weekly status report: (a) confirming that the interim funding approved pursuant to paragraph 5 of the Initial Order is in place; (b) verifying progress of construction at the facility owned by Artiva; (c) confirming the continued validity of the cultivation licence of Artiva; and (d) setting out the progress towards production of a first crop by Artiva.
4. The purpose of this Second Report is to provide the first status report required under the Initial Order.

TERMS OF REFERENCE AND DISCLAIMER

5. In preparing this Second Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, unaudited financial information, books and records, construction reports and financial information prepared by the Companies, and discussions with Seann Poli, CEO of Eureka 93 and a Director of each of the Companies, and Peter Ostapchuk, Senior Financial Advisor to the Companies (“**Management**”) (collectively, the “**Information**”).
6. The Proposal Trustee has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposal Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Generally Accepted Assurance Standards (“**Canadian GAAS**”) pursuant to the *Chartered Professional Accountants Canada Handbook*. Accordingly, the Proposal Trustee expresses no opinion or other form of assurance contemplated under Canadian GAAS in respect of the Information.
7. Some of the information referred to in this Second Report consists of financial projections. An examination or review of the financial forecasts and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.
8. Future oriented financial information referred to in this Second Report was prepared based on Management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
9. Capitalized terms not otherwise defined in this Second Report are as defined in the First Report.

10. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

STATUS OF INTERIM FINANCING FACILITY

11. The Proposal Trustee has confirmed that Artiva made its first draw request on March 13, 2020, in the amount of \$696,101, and the Interim Lender advanced the funds on March 16, 2020. The funds advanced are intended for the following:
 - \$300,000 for Commitment Fees payable pursuant to the Interim Financing Facility;
 - \$65,428 for interest payments against arrears on the first mortgage on the Artiva Facility;
 - \$51,650 payable to the principals of the first mortgagee of the Artiva Facility to reimburse them for the following disbursements they made on Artiva's behalf prior to the first draw under the Interim Financing Facility: i) an insurance premium to insure the assets ; and ii) the payment of internet services for the security system; and
 - \$279,023 for use by Artiva for construction costs and other operating expenditures, including payment of fees to Health Canada for Artiva's cannabis cultivation licence.
12. A second draw request of \$106,695 was made by Artiva on March 20, 2020 and the advance is scheduled to be made on March 23, 2020. The funds are to be used for, among other things, material purchases, boiler thermogenics, architecture fees, security, utilities and professional fees.

PROGRESS OF CONSTRUCTION

13. The Proposal Trustee has been provided with access to an on-line tool that tracks the progress of construction at the Artiva facility. Work has begun on lighting, installation of troughs, irrigation, HVAC, well and septic tank, and various production rooms. Much of this work is scheduled to be completed by March 31, 2020 subject to timely delivery of materials that have been ordered and services that have been engaged. Management is not aware at this time of what the implications are, if any, of the City of Ottawa's or

the Province of Ontario's continuing evolving policies to stop the spread of the COVID-19 virus may have on the construction schedule.

CULTIVATION LICENCE

14. As mentioned above, upon the receipt of the first advance under the Interim Financing Facility, Artiva paid to Health Canada the fees owing under their cannabis cultivation licence. The Proposal Trustee confirmed through the Government of Canada's website that Artiva continues to hold a licence issued by Health Canada under the Cannabis Regulations. The licence was issued on September 20, 2019, and expires on September 20, 2022, at which point it will be subject to renewal on standard conditions applicable to all licenced producers.

PROGRESS TOWARDS PRODUCTION OF A FIRST CROP

15. Subject to the timely completion of the HVAC system and the delivery and installation of grow lights, Artiva estimates that: i) they will be in a position to receive their first plantlet crop on or around April 10, 2020 and; ii) the first crop should be ready for cultivation on or about April 27, 2020.

All of which is respectfully submitted this 23rd day of March, 2020.

DELOITTE RESTRUCTURING INC,
solely in its capacity as the Proposal Trustee
of the Companies and not in its personal or
corporate capacity

Per:



Hartley Bricks, MBA, CPA, CA, CIRP, LIT
Senior Vice-President