

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

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

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

(each an “Applicant” and collectively, the “Applicants”)

**FOURTH REPORT OF THE MONITOR
OCTOBER 5, 2022**

INTRODUCTION.....	2
PURPOSE.....	3
TERMS OF REFERENCE	4
BACKGROUND	4
APPLICANTS’ OPERATIONS SINCE THE FURTHER STAY EXTENSION ORDER	5
MONITOR’S ACTIVITIES SINCE THE FURTHER STAY EXTENSION ORDER	5
THE SISP.....	6
M4 TRANSACTION	6
SEALING.....	7
APPLICANTS’ RECEIPTS AND DISBURSEMENTS SINCE THE FURTHER STAY EXTENSION ORDER.....	8
EXPANSION OF POWERS	8
STAY EXTENSION	8
CONCLUSIONS AND RECOMMENDATIONS	8
Appendix “A”	10
Cash Flow Forecast	10
Confidential Appendix (to be sealed from public record).....	12

INTRODUCTION

1. On March 25, 2022, the Court heard an application by the Applicants (the “**CCAA Application**”) for an initial order pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (“**CCAA**”). Among other things, the Applicants sought a stay of proceedings to allow them an opportunity to restructure their business and affairs or effect a sale transaction.
2. BDO Canada Limited (“**BDO**”), as Proposed Monitor, prepared a report dated March 24, 2022 (the “**Proposed Monitor’s Report**”) to provide information to this Court for its consideration in respect of the Applicants’ CCAA Application.
3. On March 25, 2022 (the “**Filing Date**”), the Court granted an initial order (the “**Initial Order**”) that, among other things, appointed BDO as monitor of the Applicants in these CCAA proceedings (in such capacity, the “**Monitor**”), approved a stay of proceedings until April 4, 2022 (the “**Stay Period**”), approved certain Court-ordered charges, and approved the interim financing facility (the “**DIP Loan**”) to be provided by Deans Knight Private Credit GP Inc., as General Partner of Deans Knight Private Credit Limited Partnership and DK Strategic Yield U.S. GP LLC, as General Partner of DK Strategic Yield Master Trust Limited Partnership (the “**DIP Lender**”) and an initial charge in favour of the DIP Lender in the amount of \$1.2 million (the “**DIP Charge**”).
4. BDO prepared a report dated March 31, 2022 to provide information to this Court for its consideration in respect of the Applicants’ motion for, among other things an extension of the Stay Period to August 26, 2022, an increase in the Administration Charge and DIP Charge, and approval of a Sales and Investment Solicitation Process (the “**SISP**”).
5. On April 1, 2022, the Court granted an Amended and Restated Initial Order (the “**Amended and Restated Initial Order**”) that among other things:
 - a. Extended the Stay Period to August 26, 2022;
 - b. Confirmed and extended the appointment of BDO as Monitor;
 - c. Authorized the full amount of the DIP Loan from the DIP Lender, with borrowings not to exceed \$2,200,000;
 - d. Increased the Administration Charge to the maximum amount of \$500,000; and
 - e. increased the DIP Charge to the maximum amount of \$2,200,000.

The Administration Charge and the DIP Charge rank in priority to the security of Royal Bank of Canada (“**RBC**”) and the security of Brian Van Engelen and Joanne Van Engelen (the “**Van Engelens**”).

6. On April 1, 2022, the Court also granted the Sale Process Approval Order (the “**Sale Process Approval Order**”) authorizing the commencement of the SISP as fully described in Schedule “A” to the Sale Process Approval Order.

7. BDO prepared a report dated August 25, 2022 (the “**Monitor’s Second Report**”) to provide information to this Court for its consideration in respect of the Applicants’ motion for, among other things an extension of the Stay Period to September 30, 2022 and an increase in the Administration Charge and the DIP Charge.
8. On August 26, 2022, the Court granted an Order (the “**Stay Extension Order**”) that among other things:
 - a. Extended the Stay Period to September 30, 2022;
 - b. Authorized the full amount of the DIP Loan from the DIP Lender, with borrowings not to exceed \$2,800,000;
 - c. Increased the Administration Charge to the maximum amount of \$700,000; and
 - d. increased the DIP Charge to the maximum amount of \$2,800,000.
9. BDO prepared a report dated September 28, 2022 (the “**Monitor’s Third Report**”) to provide information to this Court for its consideration in respect of the Applicants’ motion for, among other things, a further extension of the Stay Period to October 7, 2022.
10. On September 29, 2022, the Court granted an Order (the “**Further Stay Extension Order**”) that among other things:
 - a. Extended the Stay Period to October 7, 2022 to permit the Applicants to finalize the Share Purchase Agreement (the “**SPA**”) for the acquisition of the shares of Natural Medco Ltd. (“**NMC**”) by M4 Group Holdings Inc., (“**M4**” or the “**Purchaser**”), as described in the Monitor’s Third Report;

PURPOSE

11. The purpose of this report is to provide information to the Court on:
 - a. the Applicants’ operations since the granting of the Further Stay Extension Order;
 - b. the Monitor’s activities since the granting of the Further Stay Extension Order;
 - c. the Applicant’s cash flow projection (the “**Cash Flow Forecast**”) for the 8-week period from October 2, 2022, to the week ending November 26, 2022 (the “**Cash Flow Period**”);
 - d. the Applicants’ motion, returnable on October 7, 2022, for an order (the “**Approval and Vesting Order**”), among other things, approving the SPA between Eve & Co Incorporated as the Vendor (the “**Vendor**”) and M4, and the transactions contemplated thereby (collectively the “**M4 Transaction**”) and authorizing the Applicants to perform their obligations under the SPA; and

- e. the Applicants' motion, returnable on October 7, 2022 for an order, among other things, extending the Stay Period to November 30, 2022 and sealing the Confidential Appendix to this Fourth Report and all exhibits thereto (the "**Confidential Appendix**") and the Confidential Exhibit Brief to the Rombouts Affidavit (as defined below) from public record until the Transaction is completed.

TERMS OF REFERENCE

12. In preparing this Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records prepared by the Applicants, discussions with management of the Applicants ("**Management**"), and information from other third-party sources (collectively, the "**Information**"). Except as described in this Second Report in respect of the Cash Flow Forecast:
 - a. the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and
 - b. some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.
13. Future oriented financial information referred to in this 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 variation could be significant.
14. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Monitor.
15. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

BACKGROUND

16. The Applicant, Eve & Co Incorporated ("**Eve**"), is a publicly-traded corporation listed on the TSX Venture exchange under the symbol 'EVE' and maintains its registered head office at 2941 Napperton Drive, Strathroy, Ontario, N7G 3H8 (the "**Real Property**").

17. Eve does not directly hold any tangible assets, but wholly owns the Applicant, Natural Medco Ltd. (“NMC”), which is a licensed producer of cannabis in accordance with the *Cannabis Act* and the *Cannabis Regulations*.
18. NMC is the operating entity of the Applicants and owns the Applicants’ primary asset, consisting of a 1,000,000 square foot greenhouse facility (the “Greenhouse”) located on the Real Property, of which approximately 780,000 square feet was newly constructed in 2019.
19. NMC cultivates and produces dried cannabis flower, which along with certain additionally processed products such as topicals and edibles, are sold to recreational and medical consumers in several Canadian provinces. NMC supplies dried cannabis to international medical cannabis markets including Germany and Australia, with pending orders to Israel. None of the Applicants engage in any cannabis-related activities in the United States.
20. The Proposed Monitor’s Report provided background and a chronology of the Applicants’ licenses issued by Health Canada.

APPLICANTS’ OPERATIONS SINCE THE FURTHER STAY EXTENSION ORDER

21. This Report should be read in conjunction with the Affidavit of Melinda Rombouts sworn October 3, 2022 (the “**Rombouts Affidavit**”).
22. The Applicants have continued operations with a reduced staff of six employees and continued to fill orders and collect accounts receivable from provincial customers.

MONITOR’S ACTIVITIES SINCE THE FURTHER STAY EXTENSION ORDER

23. Since the granting of the Initial Order, the Monitor, among other things, has:
 - a. assisted the Applicants with stakeholder communications;
 - b. responded to calls, e-mails and letters received from creditors, employees and other parties with respect to these CCAA proceedings; and
 - c. reviewed the receipts and disbursements of the Applicants and prepared weekly cash flow statements for RBC, the Applicants’ first secured lender, in accordance with the Amended and Restated Initial Order.
24. Since the granting of the Further Stay Extension Order, the Monitor has posted the Court materials to its website at <https://www.bdo.ca/en-ca/extranets/eve-co-incorporated-and-natural-medco-ltd/> (the “**Monitor’s Website**”).

THE SISP

25. The Monitor’s Mergers and Acquisitions Group (“**BDO M&A**”), in conjunction with the Applicants, conducted the SISP in accordance with the Sale Process Approval Order as set out below.

Milestone	Date (each by 5:00 p.m. Toronto time)
Publish Notice and Press Release	April 8, 2022
Deliver Teaser Letter and NDA to Known Potential Bidders	April 29, 2022
Deliver Confidential Information Memorandum	May 6, 2022
Phase 1 Bid Deadline	July 29, 2022
Phase 2 Bid Deadline	August 10, 2022
Approval and Vesting Order Motion hearing	August 24, 2022 (subject to court availability)

26. Through industry research and its own networks, BDO M&A compiled a list of 92 strategic buyers in the greenhouse industry across the cannabis, greenhouse vegetable, horticulture and other sectors, as well as 36 potential financial buyers. Other parties who were not specifically identified contacted the Monitor as a result of publication of the Notice of the Sale Process. In all, the Monitor contacted and delivered the teaser letter to approximately 140 prospective buyers.
27. The Monitor prepared a Confidential Information Memorandum (the “**CIM**”) to summarize and market the opportunity to prospective buyers and established an electronic data room (the “**Data Room**”). The Data Room contained extensive financial, sales and marketing, inventory, capital, employee and other information such as greenhouse plans, drawings and engineering inspection reports. In total, 23 parties executed a Confidentiality Agreement (the “**NDA**”), were provided with the CIM and granted access to the Data Room.

M4 TRANSACTION

28. At the conclusion of the SISP, the Applicants, in consultation with the Monitor and RBC, concluded that the offer from M4 should be pursued to a closing for the reasons outlined in the Monitor’s Confidential Supplement. The M4 offer was subject to a further due diligence condition and culminated in M4’s delivery of its proposed SPA to the Applicants for the acquisition of the shares of NMC on September 26, 2022.

29. The Monitor understands that the M4 Transaction is structured as a share transaction to be completed by way of a reverse vesting order in order to preserve the cannabis licenses held by NMC. The preservation of the licenses will allow NMC to continue as a going concern. A further condition of the M4 Transaction is a transition agreement with the current principal of the Applicants. This transition agreement will allow for the seamless continuation of NMC's business operations. It is the Monitor's opinion that a reverse vesting order is appropriate in the circumstances.
30. On September 29, 2022, the Vendor and the Purchaser executed the SPA. The Purchaser paid the second deposit specified in the SPA in the amount of \$1,000,000 to the Applicants' legal counsel. A copy of the SPA, with the purchase price redacted, is attached as Exhibit "D" to the Rombouts Affidavit.
31. Provided that the Court grants the Approval and Vesting Order, the M4 Transaction is scheduled to close on November 7, 2022 with an outside closing date of November 15, 2022.
32. The Applicants are seeking to complete the M4 Transaction in order to maximize the realization from the Property of the Applicants for the benefit of the stakeholders. The Applicants and the Monitor consulted with RBC, which supports the M4 Transaction. The Monitor also understands that the DIP Lender and the Van Engelens consent to the approval of the M4 Transaction.
33. For the reasons set out in the Confidential Appendix, it is the Monitor's opinion that the SISP was conducted in a commercially reasonable manner in accordance with the Sale Process Approval Order. The Monitor is satisfied that the assets, shares or business operations of the Applicants (the "**Property**") were properly exposed to the marketplace and the Transaction represents fair value for the Property.
34. The Monitor is of the view that the Applicants have maximized the realization available and the Transaction is commercially reasonable in all respects. Given the foregoing, the Monitor is of the view that the Transaction is in the best interests of the creditors and other stakeholders of the Applicants. On this basis, the Monitor recommends that the Court approve the M4 Transaction.

SEALING

35. The details of the bids received in the SISP and the Monitor's financial analysis of the M4 Transaction in relation to the Metrix Appraisal is contained in the Confidential Supplement.
36. The Applicants have requested that the Court make an order sealing the Confidential Supplement to avoid the negative impact which the dissemination of the confidential information contained therein might have should the M4 Transaction fail to close for any reason. Publication of the purchase price would undermine the fairness of the resumption of the SISP that may be required if the M4 Transaction does not close.

APPLICANTS' RECEIPTS AND DISBURSEMENTS SINCE THE FURTHER STAY EXTENSION ORDER

37. As noted in the Monitor's Third Report, the Applicants' cash balance at the start of the week ending October 1, 2022 was \$123,406. During the week ended October 1, 2022, the Applicants collected receipts of \$6,757 and paid disbursements of \$10,878. Accordingly, the Applicants' cash balance at the start of the current week is \$119,285, which will be sufficient to fund operations for the current stay period to October 7, 2022, including payment of the most recent Hydro One invoice in the amount of \$23,822, which is due on October 6, 2022.

EXPANSION OF POWERS

38. As a result of the share sale contemplated by the M4 Transaction and the transition of the employees of the Applicants to the purchaser, an expansion of the Monitor's powers to conclude these CCAA proceedings is appropriate in the circumstances.

STAY EXTENSION

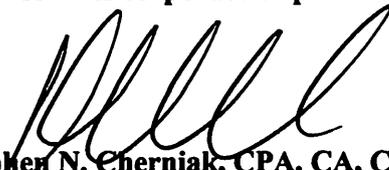
39. The Applicants seek a further extension of the Stay Period from October 7, 2022 to November 30, 2022 to permit the Applicants to complete the M4 Transaction.
40. The Applicants, with the Assistance of the Monitor, prepared the Cash Flow Forecast for the Cash Flow Period, a copy of which is attached as **Appendix "A"** to this Fourth Report. The Cash Flow Forecast indicates that the Applicants will have sufficient liquidity to fund operations until the completion of the M4 Transaction.
41. In the event that the Applicants experience a cash shortfall from operations between the date of the execution of the SPA and the completion of the M4 Transaction, the SPA provides that such shortfall will be funded by the Purchaser. Any cash surplus generated during this period will flow through to the Purchaser upon the completion of the transaction.
42. RBC has advised that it consents to the further extension of the Stay Period to complete the M4 Transaction.

CONCLUSIONS AND RECOMMENDATIONS

43. The Monitor has reviewed the Applicants' materials for the hearing and supports the Applicants' request that the Court grant the Approval and Vesting Order and extension of the Stay Period to November 30, 2022.

All of which is respectfully submitted this 5th day of October, 2022.

**BDO CANADA LIMITED,
in its capacity as Monitor of the Applicants,
and not in its corporate or personal capacity.**



**Stephen N. Cherniak, CPA, CA, CIRP
Senior Vice President
Licensed Insolvency Trustee**

Appendix "A"
Cash Flow Forecast

**Eve & Co Incorporated /
Natural Medco Ltd.
Cash Flow Forecast for the period
October 2, 2022 to November 26, 2022
(CAD \$)**

	1	2	3	4	5	6	7	8
WEEK ENDING	10/8	10/15	10/22	10/29	11/5	11/12	11/19	11/26
Beginning cash (deficit)	119,285	48,779	66,097	112,704	69,347	25,278	16,428	27,784
Receipts								
Provincial sales collected	8,442	48,754	40,500	3,892	1,500	5,000	110,192	3,500
Bulk (International) sales			45,000		30,000		45,000	
Other receipts								
Total Receipts	8,442	48,754	85,500	3,892	31,500	5,000	155,192	3,500
Disbursements								
Salaries & Wages	33,743		33,743		35,603		35,603	
Employee benefits	2,000				2,500			
Production costs & supplies	10,781	6,000	4,000	9,483	9,000	9,000	14,483	9,000
Utilities	23,923	18,936			25,000		75,000	
Property taxes				4,000				
Insurance								
Laboratory charges	500	500	500	500	3,000	3,000	18,750	3,000
Communications & Admin.	1,216	6,000	650		466	1,850		
Purchased product								
Capital expenditures								
Audit, AGM and filing fees								
Government remittances								
HST/Health Canada	6,785			33,266				
Excise tax								
Mortgagee loan payments								
RBC								
Vanengelen								
BDO and legal fees								
Restructuring costs								
Total Disbursements	78,948	31,436	38,893	47,249	75,569	13,850	143,836	12,000
Net Cash Flow	(70,506)	17,318	46,607	(43,357)	(44,069)	(8,850)	11,356	(8,500)
Closing cash (deficit)	48,779	66,097	112,704	69,347	25,278	16,428	27,784	19,284

CONFIDENTIAL APPENDIX

TO BE SEALED

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

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at Toronto, Ontario

**FOURTH REPORT OF THE MONITOR
OCTOBER 5, 2022**

Thornton Grout Finnigan LLP

TD West Tower, Toronto-Dominion Centre
100 Wellington Street West, Suite 3200
Toronto, ON M5K 1K7
Fax: (416) 304-1313

Leanne M. Williams (LSO# 41877E)

Email: lwilliams@tgf.ca

Tel: (416) 304-0060

Alexander Soutter (LSO# 72403T)

Email: asoutter@tgf.ca

Tel: (416) 304-0595

Lawyers for the Court-appointed Monitor,
BDO Canada Limited