

Raymond Chabot inc.

Société affiliée de  
Raymond Chabot Grant Thornton  
S.E.N.C.R.L.  
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www.raymondchabot.com

CANADA  
DISTRICT DU QUEBEC  
N° DIVISION : 01-MONTREAL  
N° COUR : 500-11-049170-158  
N° DOSSIER : 41-2135897  
N° BUREAU : 300085-001

C O U R S U P É R I E U R E  
« Chambre commerciale »

DANS L'AFFAIRE DE LA PROPOSITION DE : **PHARMACEUTIQUES PELOTON INC.,**  
Personne morale faisant affaire au 243, boul.  
Hymus, dans la ville de Montréal, dans la province  
de Québec, H9R 1G3.

### AVIS DE LA PROPOSITION RÉ-AMENDÉE AUX CRÉANCIERS

(article 51 de la Loi)

Avis est donné qu'une proposition ré-amendée a été déposée le 22 décembre 2016 en vertu de la *Loi sur la faillite et l'insolvabilité*.

Une assemblée générale des créanciers de la débitrice sera tenue au bureau du syndic, 600, rue de La Gauchetière Ouest, bureau 2000, Montréal (Québec), le 19 janvier 2017 à 10 h.

Les créanciers ayant produit leur réclamation dans la proposition n'ont pas à produire de nouvelles preuves de créances si aucun changement n'a été apporté à ladite preuve de réclamation.

Les créanciers ou toute catégorie de créanciers ayant droit de voter à l'assemblée peuvent, au moyen d'une résolution, accepter la proposition, telle que formulée ou telle que modifiée à l'assemblée. Si la proposition est ainsi acceptée et si elle est approuvée par le Tribunal, elle deviendra obligatoire pour tous les créanciers ou pour la catégorie des créanciers visés.

Les preuves de réclamation, procurations et formules de votation dont l'usage est projeté à l'assemblée doivent être au préalable déposées entre nos mains.

Fait à Montréal, ce 23 décembre 2016.

RAYMOND CHABOT INC.  
Syndic autorisé en insolvabilité  
Jean Gagnon, CPA, CA, CIRP, SAI  
Responsable désigné



Raymond Chabot Inc.

An affiliate of  
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CANADA  
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S U P E R I O R C O U R T  
" Commercial Division "

IN THE MATTER OF THE PROPOSAL OF: PELTON PHARMACEUTICALS INC.

**NOTICE OF A RE-AMENDED PROPOSAL TO CREDITORS**  
(section 51)

Take notice that a re-amended proposal was filed on December 22, 2016 under the *Bankruptcy and Insolvency Act*.

A general meeting of the creditors of the debtor will be held at the trustee's office, 600 de La Gauchetière Street West, Suite 2000, Montréal (Québec), on January 19, 2017 at 10:00 a.m.

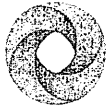
Creditors having proved a claim under the proposal are not required to file another proof of claim if no changes have been made to their original proof of claim.

The creditors or any class of creditors qualified to vote at the meeting may, by resolution, accept the proposal made by the debtor either as made or as modified at the meeting. If so accepted and if approved by the Court, the proposal will bind all creditors or the class or creditors affected.

Proofs of claim, proxies and voting letters intended to be used at the meeting must be lodged with us prior thereto.

Dated at Montréal, December 23, 2016.

RAYMOND CHABOT INC.  
Licensed Insolvency Trustee  
Jean Gagnon, CPA, CA, CIRP, LIT  
Trustee in charge



Raymond Chabot inc.

Société affiliée de  
Raymond Chabot Grant  
Thornton  
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CANADA  
DISTRICT DU QUEBEC  
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C O U R S U P É R I E U R E  
« Chambre commerciale »

DANS L'AFFAIRE DE LA PROPOSITION DE : **PHARMACEUTIQUES PELOTON INC.**

Personne insolvable

-et-

**RAYMOND CHABOT INC.**, (SR0163)  
Jean Gagnon, CPA, CA, CIRP, SAI  
Responsable désigné

Syndic autorisé en insolvabilité

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**AVIS D'AUDITION DE LA DEMANDE D'APPROBATION  
PAR LE TRIBUNAL D'UNE PROPOSITION RÉ-AMENDÉE**  
(article 58(b) de la Loi)

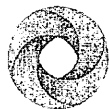
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Avis est donné qu'une demande sera faite au tribunal à 9 h, le 20 janvier 2017, au Palais de justice de Montréal, au 1, rue Notre-Dame Est, Salle 16.10, ville de Montréal, province de Québec, en vue de faire approuver la proposition ré-amendée de la personne insolvable susnommée advenant que celle-ci soit approuvée par les créanciers lors de l'assemblée du 19 janvier 2016.

Daté de Montréal, ce 23 décembre 2016.

RAYMOND CHABOT INC.  
Syndic autorisé en insolvabilité

Jean Gagnon, CPA, CA, CIRP, SAI  
Responsable désigné



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S U P E R I O R C O U R T  
« Commercial Division »

IN THE MATTER OF THE PROPOSAL OF:

**PELTON PHARMACEUTICALS INC.**

Insolvent person

-and-

**RAYMOND CHABOT INC., (SR0163)**

Jean Gagnon, CPA, CA, CIRP, SAI  
Trustee in charge

Licensed Insolvency Trustee

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**NOTICE OF HEARING OF APPLICATION  
FOR COURT APPROVAL OF A RE-AMENDED PROPOSAL**  
(paragraph 58(b))

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Take notice that an application will be made to the Court at the Courthouse of Montréal, 1 Notre-Dame Street East, room 16.10, in the city of Montréal, province of Québec, on January 20, 2016 at 9:00 a.m., to approve the re-amended proposal of the above-named debtor, should it be approved by the creditors at the meeting which will be held on January 19, 2017.

Dated at Montréal this December 23, 2016.

RAYMOND CHABOT INC.  
Licensed Insolvency Trustee

Jean Gagnon, CPA, CA, CIRP, SAI  
Trustee in charge

CANADA

SUPERIOR COURT  
(Commercial Division)

PROVINCE OF QUEBEC  
DIVISION NO.: 01-MONTREAL  
COURT NO.: 500-11-049170-158  
FILE NO.: 41-2135897  
OFFICE NO.: 300085-001  
SUPERINTENDENT'S NO.: 41-1393380

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IN THE MATTER OF THE PROPOSAL  
OF:

PELTON PHARMACEUTICALS INC.

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### RE-AMENDED PROPOSAL AND PLAN OF REORGANIZATION

**WHEREAS** on June 17, 2016, Peloton Pharmaceuticals Inc. (the "**Company**") initiated proceedings under the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") by filing a notice of intention to make a proposal pursuant to section 50.4 of the BIA and Raymond Chabot Inc. ("**RCI**") was appointed as Proposal Trustee (the "**Trustee**");

**AND WHEREAS** the Company is insolvent and, in consequence thereof, has sought application of the relevant provisions of the BIA;

**AND WHEREAS** on September 14, 2016, RCI was appointed Interim Receiver (in such capacity, the "**Interim Receiver**") with the power to, among other things, solicit one or several potential buyers of all or any part of the Company's property, and solicit one or several potential investors in the share capital of the Company;

**AND WHEREAS** the Company submitted a proposal to the Company's creditors on November 25, 2016;

**AND WHEREAS** at a general meeting of creditors held on November 25, 2016, the Company's creditors instructed RCI to adjourn the general meeting of creditors to December 8, 2016, to allow for further submission of bids in respect of the Company;

**AND WHEREAS** a deadline of 5:00 p.m. on December 6, 2016 was set by RCI for the submission of bids in respect of the Company (the "**Bid Deadline**");

**AND WHEREAS** the Investor (as defined herein) was the only party that submitted a bid by the Bid Deadline;

**AND WHEREAS** the general meeting of creditors held on December 8, 2016 was adjourned to allow for an exclusive period of negotiations between the Trustee and the Investor, with the input of the Company's creditors;

**AND WHEREAS** at the general meeting of creditors held on Friday, December 16, 2016, RCI was asked by the Required Majority (as defined herein) of the Company's creditors to seek an order authorizing an expansion of the Interim Receiver's powers to, among other things, enter into the Term Sheet (as defined herein) with the Investor which sets out the principal terms of the transactions contemplated by this proposal;

**AND WHEREAS** the Expanded Powers Order (as defined herein) was rendered on December 20, 2016, authorizing the Interim Receiver to execute the Term Sheet and implement the transaction contemplated therein and authorized the filing of an amended Proposal;

**NOW THEREFORE** as a result of the Expanded Powers Order, the Interim Receiver hereby submits, on behalf of the Company, the following proposal under Part III, Division I of the BIA and a plan of reorganization under section 191 of the *Canada Business Corporations Act* ("CBCA"), and sections 59(4) and 66(1.4) of the BIA, to the Company's creditors (the "**Proposal**").

## **ARTICLE 1 DEFINITIONS AND INTERPRETATION**

### **1.1 Definitions**

In this Proposal, unless otherwise stated or the context should otherwise require, the capitalized terms and phrases used but not defined herein have the following meanings:

- (a) "**Administrative Fees and Expenses**" means the fees, expenses and disbursements incurred by or on behalf of the Trustee, the Interim Receiver, and the solicitors for the Trustee and the Interim Receiver, and the reasonable post-filing fees, expenses and disbursements of the solicitors of the Company incurred to December 16<sup>th</sup>, and any reasonable post-filing fees, expenses and disbursements of the solicitors of the Company incurred thereafter in assistance of the Proposal, the Approval Order and consummation of the transactions contemplated herein;
- (b) "**ACMPR**" means the *Access to Cannabis for Medical Purposes Regulations* (Canada) pursuant to the *Control Drugs and Substances Act* (Canada), and any successor or replacement regulations, promulgated under the Act as the same may be amended from time to time and includes all notices, guidance, guidelines and ancillary rules or regulations promulgated thereunder or in connection therewith;
- (c) "**Affected Claims**" means all Claims, including Post-Filing Claims, other than the Unaffected Claims;
- (d) "**Affected Creditors**" means all Persons having Affected Claims;
- (e) "**Approval Order**" means an order of the Court approving this Proposal, which order shall include provisions permitted by section 191 of the CBCA and sections 59(4) and 66(1.4) of the BIA as may be necessary or appropriate to give effect to this Proposal, including those described in Section 4.1 of this Proposal as it may be amended or restated from time to time;
- (f) "**Articles of Reorganization**" means the Articles of Reorganization in respect of the Company in accordance with section 191(4) of the CBCA (as well as sections 59(4) and 66(1.4) of the BIA, to the extent applicable) giving effect to the proposed reorganization of the Company, together with such deletions, additions or

modifications as the Interim Receiver may make thereto and therefrom at any time prior to the Approval, with the consent of the Investor. The Articles of Reorganization shall form part of the Reorganization;

- (g) "**BIA**" has the meaning given to it in the recitals;
- (h) "**BIA Proceeding**" means the proceeding commenced by the Company under the BIA on the Filing Date;
- (i) "**Bid Deadline**" has the meaning given to it in the recitals;
- (j) "**Business Day**" means any day except Saturday, Sunday or any day on which banks are generally not open for business in the City of Montreal;
- (k) "**CBCA**" has the meaning given to it in the recitals;
- (l) "**Cash Component**" has the meaning given to it in Section 8.1 of this Proposal;
- (m) "**Cash Contribution**" has the meaning given to it in Section 8.1 of this Proposal;
- (n) "**Certificate**" means the certificate of amendment issued by the Director (as defined in the CBCA) upon receipt of the Articles of Reorganization;
- (o) "**Claim**" means:
  - (i) a claim provable in bankruptcy against the Company or the Directors and includes any indebtedness, liability, action, cause of action, suit, debt, due, account, bond, covenant, contract, counterclaim, demand, claim, right and obligation of any nature whatsoever of the Company to any Person, whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, by surety or otherwise and whether or not such right is executory in nature, including, without limitation, the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future based in whole or in part on facts which existed prior to or at the Filing Date and, in respect of a claim against the Directors, that relates to obligations of the Company where the Directors are by law liable in their capacity as Directors for the payment of such obligations;
  - (ii) any claim for or resulting from the disclaimer, rescission, repudiation, termination or restructuring by the Company of a contract, lease or other obligation or agreement, including any employment agreement, following the Filing Date and prior to Approval of this Proposal; and
  - (iii) any Post-Filing Claim;
- (p) "**Closing Date**" means March 31, 2017;

- (q) "**Company**" means Peloton Pharmaceuticals Inc., incorporated under the CBCA;
- (r) "**Convenience Distribution**" has the meaning given to it in Section 5.2 of this Proposal;
- (s) "**Court**" means the Quebec Superior Court for the District of Montreal, sitting as both:
  - (i) the "court" as envisaged and defined in section 2(1) of the BIA and includes any Justice thereof or, if applicable, the Registrar or any Deputy Registrar thereof; and
  - (ii) the "court" as envisaged in section 191 of the CBCA and includes any Justice thereof;
- (t) "**Court Approval Date**" means the date on which the Court issues the Approval Order;
- (u) "**Creditors' Meeting**" means the meeting of Unsecured Creditors to be held on January 19, 2017, for the purpose of considering and voting upon this Proposal, and any adjournment of such meeting;
- (v) "**Crown Claims**" means all amounts owing to Canada Revenue Agency that could be subject to a demand under subsection 224(1.2) of the *Income Tax Act* or under any substantially similar provision of provincial legislation as at the Filing Date;
- (w) "**Deposit**" has the meaning given to it in Section 8.1 of this Proposal;
- (x) "**Depository**" has the meaning given to it in Section 8.2 of this Proposal;
- (y) "**Director**" has the meaning given to it in the BIA;
- (z) "**Effective Time**" means the date on which this Proposal is approved by the Required Majority;
- (aa) "**Equity Claims**" means any claim constituting an equity claim under section 2 of the BIA;
- (bb) "**Excess Administrative Fees and Expenses**" has the meaning given to it in Section 9.3;
- (cc) "**Existing Common Shares**" means all of the issued and outstanding shares in the capital of the Company;
- (dd) "**Existing Securities**" means all issued and outstanding options, warrants, convertible securities, exchangeable securities and any other rights to acquire any securities, in respect of the Company;
- (ee) "**Existing Shareholders**" means, collectively, holders of the Existing Common Shares and the Existing Securities immediately prior to the Effective Time;



- (ff) "**Expanded Powers Order**" means an order executory notwithstanding appeal that has not been stayed and no appeal therefrom is outstanding, which Expanded Power Order shall, *inter alia*, expand the powers of the Interim Receiver and authorize the Interim Receiver to:
- (i) enter into the Term Sheet;
  - (ii) file this Proposal with the Official Receiver;
  - (iii) subject to this Proposal being approved pursuant to Section 3.7 hereof, undertake any steps required to obtain approval of the Proposal on behalf of the Company; and
  - (iv) exercise such power and control over the Company as is necessary to complete the transactions contemplated by the Term Sheet and this Proposal.
- (gg) "**Facility**" means the facility operated by the Company at 243 Hymus Boulevard, Pointe-Claire, Quebec;
- (hh) "**Filing Date**" means June 17, 2016, the date on which the Company filed a Notice of Intention to Make a Proposal with the Official Receiver in accordance with the BIA;
- (ii) "**Fractional Interests**" has the meaning given to such term in Section 9.13 of this Proposal;
- (jj) "**Governmental Authority**" means any governmental, regulatory or administrative authority, department, agency, commission, board, panel, tribunal, Crown corporation, Crown ministry or court or other law, rule or regulation-making or enforcing entity having or purporting to have jurisdiction on behalf of any nation, or province, territory or state or other subdivision thereof or any municipality, district or other subdivision thereof;
- (kk) "**Initial Distribution**" has the meaning given to it in Subsection 9.5 of the Proposal;
- (ll) "**Implementation**" means the completion and implementation of the transactions contemplated to take place on the Implementation Date under this Proposal;
- (mm) "**Implementation Certificate**" has the meaning given to it in Subsection 6.2(n) of this Proposal;
- (nn) "**Implementation Date**" means such date that is ten (10) Business Days following the Closing Date;
- (oo) "**including**" means "including, without limitation", and "**includes**" means "includes without limitation";
- (pp) "**Interim Receiver**" has the meaning given to it in the recitals;

- (qq) "**Investment Pool**" means the total investment amount equal to the Cash Component and the Investor Shares Component to be funded by the Investor pursuant to the terms of this Proposal;
- (rr) "**Investment Pool Cash Account**" has the meaning given to it in Subsection 8.1 of this Proposal;
- (ss) "**Investor**" means Aurora Cannabis Inc.;
- (tt) "**Investor Shares Component**" has the meaning given to it in Section 8.2 of this Proposal;
- (uu) "**New Common Shares**" means the common shares of the Company to be issued pursuant to Section 4.1 of this Proposal having the rights, privileges and restrictions set forth in the Articles of Reorganization;
- (vv) "**Official Receiver**" means the officer appointed pursuant to subsection 12(2) of the BIA in the City of Montreal, Quebec, to perform the duties and responsibilities more fully set out in the BIA.
- (ww) "**Outside Date**" means March 31, 2018.
- (xx) "**Person**" is to be broadly interpreted and includes an individual, a corporation, a partnership, a trust, an unincorporated organization, any Governmental Authority, and the executors, administrators or other legal representatives of an individual in such capacity;
- (yy) "**Post-Filing Claim**" means any Claim of any Person against the Company that arose from the provision of authorized goods and services provided or otherwise incurred on or after the Filing Date in the normal course of business, through to and including the Implementation Date;
- (zz) "**Post-Filing Creditor**" means any creditor with a Post-Filing Claim to the extent of its Post-Filing Claim;
- (aaa) "**Preferred Claims**" means any claims that are entitled to be paid in priority to other Claims as provided under Section 136 of the BIA;
- (bbb) "**Preferred Creditors**" means those creditors of the Company whose claims are entitled to be paid in priority to the Claims of other Unsecured Creditors as provided under section 136 of the BIA;
- (ccc) "**Professional Fee Contribution**" has the meaning given to it in Section 7.1;
- (ddd) "**Professional Fee Pool**" means the pool of funds described in Section 7.1 comprising of the Professional Fee Contribution;
- (eee) "**Professional Fee Surplus**" has the meaning given to it in Section 7.1;

- (fff) "**Proposal**" means this Proposal made pursuant to the BIA and CBCA, as further amended or supplemented from time to time by the Company, in consultation with the Trustee, and with the consent of the Investor;
- (ggg) "**Proven Claim**" means in respect of a creditor, the amount of a Claim as finally determined in accordance with the provisions of the BIA;
- (hhh) "**Proven Creditor**" means a creditor holding a Proven Claim to the extent of its Proven Claim;
- (iii) "**RCI**" has the meaning given to it in the recitals;
- (jjj) "**Reorganization**" has the meaning set out in Article 4 hereof and, in particular, to redeem or otherwise cancel all the Existing Common Shares and issue the New Common Shares to the Investor who will own all New Common Shares of the Company on the Implementation Date;
- (kkk) "**Required Majority**" means an affirmative vote of a majority in number and two-thirds in value of all Proven Claims in the Unsecured Creditor Class entitled to vote, who are present and voting at the Creditors' Meeting (whether in person, by proxy or by voting letter) in accordance with the voting procedures established by this Proposal and the BIA;
- (lll) "**Subscription Agreement**" means an agreement or agreements documenting the terms and conditions of the strategic investment by the Investor in the Company;
- (mmm) "**Superintendent's Levy**" means the levy payable to the Superintendent of Bankruptcy pursuant to section 60(4) and section 147 of the BIA;
- (nnn) "**Term Sheet**" means the term sheet entered into by the Interim Receiver (pursuant to the Expanded Powers Order) and the Investor dated December 20, 2016;
- (ooo) "**Trustee**" means Raymond Chabot Inc. or its duly appointed successor;
- (ppp) "**Trustee's Website**" means the following website: [www.raymondchabot.com](http://www.raymondchabot.com);
- (qqq) "**Unaffected Claim**" means:
  - (i) any Claim in respect of Administrative Fees and Expenses; and
  - (ii) Crown Claims.
- (rrr) "**Unaffected Creditor**" means a creditor having an Unaffected Claim to the extent of its Unaffected Claim;
- (sss) "**Undeliverable Distributions**" mean distributions to Proven Creditors that are returned as undeliverable;
- (ttt) "**Unsecured Claims**" means all Affected Claims that are Proven Claims other than a Preferred Claim and a Post-Filing Claim;

(uuu) "**Unsecured Creditor**" means any creditor having an Unsecured Claim to the extent of its Unsecured Claim;

(vvv) "**Unsecured Creditor Class**" means the class of creditors comprised of Unsecured Creditors; and

(www) "**VWAP**" means volume weighted average price.

## **1.2 Date of Any Action**

In the event that any date on which any action is required to be taken under this Proposal by any of the parties is not a Business Day, the action shall be required to be taken on the next proceeding day which is a Business Day.

## **1.3 Time**

All times expressed in this Proposal are local time Montreal, Quebec, Canada, unless stipulated otherwise. Time is of the essence in this Proposal.

## **1.4 Statutory References**

Any reference in this Proposal to a statute includes all regulations made thereunder and all amendments to such statutes or regulations in force from time to time.

## **1.5 Successors and Assigns**

The Proposal shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person or party named or referred to in the Proposal.

## **1.6 Monetary References**

All references to currency and to "\$" are to Canadian dollars, unless otherwise indicated.

## **1.7 Schedules**

The following is the Schedule to this Proposal:

- Schedule "A" – Articles of Reorganization.

The terms and conditions of the Schedule form an integral part of this Proposal and should be read in conjunction with this Proposal.

## ARTICLE 2 PURPOSE AND EFFECT OF THE PROPOSAL

### 2.1 Purpose

The purpose of this Proposal is to effect a proposal concerning the obligations of the Company and the reorganization of the capital structure of the Company in order to be enable the business of the Company to continue, in the expectation that all creditors will derive a greater benefit from such proposal and reorganization than would result from the discontinuance of the Company's operations and forced liquidation of the Company's assets, and specifically to provide for:

- (a) distributions from the Professional Fee Pool to provide for the satisfaction of Administrative Fees and Expenses;
- (b) distributions from the Investment Pool to the Preferred Creditors, Post-Filing Creditors, and Unsecured Creditors in satisfaction of their Proven Claims;
- (c) the cancellation of the Existing Common Shares and the subscription by the Investor for the New Common Shares for the subscription price equal to the Investment Pool;
- (d) the cancellation and extinguishment of all Existing Securities;
- (e) the deemed resignation of all current Directors of the Company and the appointment of new Directors; and
- (f) such other amendments and/or resolutions of the Articles as set forth in the Articles of Reorganization.

### 2.2 Corporate Reorganization

This Proposal contemplates a corporate reorganization of the capital structure of the Company. The Articles of Reorganization attached as Schedule "A" to the Proposal shall, upon Court approval of the Proposal, amend the constating documents of the Company, *inter alia*, to effect the redemption of all Existing Common Shares and the cancellation of all Existing Securities, and authorizing the issuance of the New Common Shares to the Investor.

### 2.3 Strategic Investment

On the Implementation Date, the Investor shall, subject to and upon the terms and conditions of this Proposal, make a strategic investment in the Company by subscribing for New Common Shares for a subscription price equal to the aggregate of the Investment Pool and the Professional Fee Pool as set forth in this Proposal, to be used to fund this Proposal.

### 2.4 Persons Affected

On the Implementation Date, this Proposal will become effective and, subject to the fulfillment by the Interim Receiver, the Trustee, and the Investor of their respective obligations hereunder, shall be binding on the Company, the Existing Shareholders and the Affected Creditors.

**ARTICLE 3**  
**CLASSIFICATION OF AFFECTED CREDITORS, VALUATION OF CLAIMS AND**  
**RELATED MATTERS**

**3.1 Classes of Creditors**

There shall be one class of Affected Creditors for the purposes of considering and voting on this Proposal comprised of all Unsecured Creditors to the extent of their Unsecured Claims.

**3.2 Proxies and Voting Letters**

Proxies as provided for in the BIA indicating a Person authorized to act for the Unsecured Creditor, may be submitted to the Trustee at, or any time prior to, the commencement of the Creditors' Meeting. The Trustee shall chair the Creditors' Meeting. Voting letters as provided for in the BIA submitted to the Trustee prior to the Creditors' Meeting must indicate whether the Unsecured Creditor wishes to cast its vote in favour of or against the Proposal. Voting letters that do not indicate either preference will be deemed to indicate a vote in favour of the Proposal. Persons in attendance at the Creditors' Meeting shall cast their vote in the manner prescribed by the Trustee and the BIA. For greater certainty, Unaffected Creditors shall not be entitled to vote the value of their Unaffected Claim.

**3.3 Quorum and Conduct of Creditors' Meeting**

A quorum shall be constituted for the Creditors' Meeting or any adjournment thereof if there is one Unsecured Creditor, entitled to vote, present in person or by proxy, or if one Unsecured Creditor, entitled to vote, has submitted a voting letter in accordance with the provisions of the BIA and this Proposal. If the requisite quorum is not present at the Creditors' Meeting or if the Creditors' Meeting has to be postponed for any reason, then the Creditors' Meeting shall be adjourned by the Trustee to such date, time and place as determined by the Trustee. For greater certainty, the Creditors' Meeting may be adjourned one or more times.

**3.4 Location of Creditors' Meeting**

The Creditors' Meeting shall take place at 10:00 a.m. (Montreal time) on January 19, 2017 at the office of the Trustee, 600 de la Gauchetière Street West, Suite 2000, Montreal, H3B 4L8.

**3.5 Proofs of Claim and Treatment of Disputed Claims**

The total amount of all Claims will be determined based on the proofs of claim submitted to the Trustee. The provisions of section 135 of the BIA will apply to all proofs of claim submitted to the Trustee, including in respect of disputed Claims.

**3.6 Voting on the Proposal**

Only the Unsecured Creditors with Proven Claims shall vote on the terms of this Proposal. Each Unsecured Creditor shall be entitled to a single vote valued in the full amount of its Proven Claim

with respect to the vote of the Unsecured Creditor Class. In order to vote at the Creditors' Meeting, the proof of claim must be submitted prior to the commencement of the Creditors' Meeting.

### **3.7 Approval by Affected Creditors**

In order to be approved, this Proposal must receive the affirmative votes of the Required Majority.

### **3.8 Modification to Proposal**

Subject to the prior consent and approval by the Investor, the Interim Receiver reserves the right at any time prior to the Creditors' Meeting to file any modification of, amendment or supplement to, the Proposal by way of a supplementary proposal and plan of reorganization. Any such amended or supplementary proposal shall forthwith be posted on the Trustee's Website, sent to the service list in the BIA Proceeding and filed with the Official Receiver as soon as practicable, in which case any such amended or supplementary proposal or proposals shall, for all purposes, be and be deemed to be a part of and incorporated into the Proposal. At the Creditors' Meeting, the Trustee shall provide all Unsecured Creditors in attendance with details of any modifications or amendments prior to the votes being taken to approve the Proposal. Subject to the provisions of the BIA and the Rules promulgated thereunder, after the Creditors' Meeting (and both prior to and subsequent to the Approval Order) and subject to the consent and approval by the Investor, the Interim Receiver may at any time and from time to time vary, amend, modify or supplement the Proposal.

## **ARTICLE 4 REORGANIZATION**

### **4.1 The Reorganization**

After the acceptance of this Proposal in accordance with Section 3.7 and the relevant provisions of the BIA, the Interim Receiver will present a motion to the Court seeking the Approval Order, which Approval Order shall include the ordering, *inter alia*, that the following shall occur (collectively the "**Reorganization**"), namely:

- (a) with respect to all Existing Common Shares:
  - (i) reorganizing of all Existing Common Shares into shares redeemable for cancellation by the Company for the aggregate price (for all Existing Common Shares in their totality) of \$1.00; and
  - (ii) thereafter, the deemed redemption for cancellation of all Existing Common Shares by the Company for the aggregate redemption price (for all Existing Common Shares in their totality) of \$1.00 and the cancellation of all Existing Common Shares;
- (b) the creation of the New Common Shares having the rights, privileges and restrictions set forth in the Articles of Reorganization;

- (c) with respect to all Existing Securities, the deemed cancellation of all Existing Securities;
- (d) with respect to the current Directors of the Company, the Directors shall be deemed to have resigned and new Directors shall be appointed to the board of directors of the Company; and
- (e) such other amendments and/or restating of the Articles as set forth in the Articles of Reorganization.

Subject to consent and approval of the Investor, the Interim Receiver shall retain the right, at any time prior to Approval, to make such further deletions, additions or modifications, as the Interim Receiver may deem appropriate, to the Reorganization such that the term "**Reorganization**" shall include such deletions, additions or further modifications so made by the Interim Receiver.

Immediately following the Approval Order, the Interim Receiver will send the Articles of Reorganization to the director appointed under section 260 of the CBCA (as envisaged by section 191(4) of the CBCA) in order to obtain from such director the Certificate.

#### **4.2 Reorganization is a Condition Precedent**

The Reorganization provided in Section 4.1 of this Proposal is and shall remain a condition precedent to the Investor funding the Professional Fee Pool and the Investment Pool and to the performance of this Proposal. As a consequence, any acceptance by the Creditors of this Proposal shall include approval of the Reorganization. In the event that the Approval Order does not approve the Reorganization, this Proposal shall be deemed, for all purposes, to have not been accepted or approved as required pursuant to the relevant provisions of the BIA.

### **ARTICLE 5 TREATMENT OF CREDITORS' CLAIMS**

#### **5.1 Voting by Unsecured Creditors**

Each Unsecured Creditor shall be entitled to vote on this Proposal at the Creditors' Meeting, to the extent of its Proven Claim for voting purposes. Notwithstanding the foregoing, Unsecured Creditors having Equity Claims shall not be entitled to vote in respect of such Equity Claims at the Creditors' Meeting.

#### **5.2 Treatment of Unsecured Creditors**

On the Implementation Date, or as soon thereafter as is practicably possible, each Unsecured Creditor with a Proven Claim shall be paid an amount (the "**Convenience Distribution**") that is the lesser of: (i) \$2,000, or (ii) if the Unsecured Creditor's Proven Claim is less than \$2000 then the full amount of such Unsecured Creditor's Proven Claim, in accordance with Section 9.5(b) hereof.

Each Unsecured Creditor that has a Proven Claim outstanding after the Convenience Distribution shall receive its pro-rata share of the Initial Distribution, in accordance with Section 9.5(c) hereof. Thereafter, the Unsecured Creditors will have an interest in any Pre-License Distribution and



License Distribution made, or authorized to be made, by the Company with the prior consent of the Interim Receiver in accordance with Sections 9.6 and 9.7 (respectively) of this Proposal, *provided however*, that Unsecured Creditors shall have no right whatsoever to claim, and shall be precluded from claiming, any payment, amount or consideration, in respect of a Pre-License Distribution and a License Distribution, from or against the Investor and their rights in this regard will be limited to the Investment Pool.

### **5.3 Treatment of Existing Shareholders**

In connection with or as a result of the Implementation of this Proposal, Existing Shareholders shall not be entitled to any payment or other compensation on account of their Equity Claims under this Proposal and shall not be entitled to vote on this Proposal at the Creditors' Meeting or in connection with the Reorganization and will have no dissent rights.

### **5.4 Treatment of Preferred Creditors**

On the Implementation Date, the Proven Claims of all Preferred Creditors, if any, shall be paid, in priority to the Claims of other Unsecured Creditors in accordance with section 136 of the BIA, including the Proven Claims of all employees or former employees for all amounts provable as described in subsection 60(1.3) of the BIA which, if any, shall be paid immediately after the Court Approval Date.

### **5.5 Treatment of Post-Filing Creditors**

On the Implementation Date, all Post-Filing Creditors, if any, shall be paid in accordance with Section 9.4 of this Proposal, in priority to the Claims of other Unsecured Creditors, up to the Implementation Date and thereafter by the Company in the ordinary course of business.

### **5.6 Treatment of Crown Claims**

All Crown Claims that were outstanding at the Filing Date, if any, shall be paid in full to Her Majesty in right of Canada or a province, within six months after the Court Approval Date.

### **5.7 Treatment of Administrative Fees and Expenses**

On the Implementation Date, Administrative Fees and Expenses incurred and invoiced prior to the Implementation Date shall be paid in priority to all Claims of Unsecured Creditors from the Professional Fee Pool, and to the extent that the funds in the Professional Fee Pool are insufficient to satisfy all of the Administrative Fees and Expenses, the balance (if any) of the Administrative Fees and Expenses after payment from the Professional Fee Pool, shall be paid from the Investment Pool in priority to all Claims of Unsecured Creditors.

### **5.8 Extinguishment of Claims**

On the Implementation Date in accordance with its terms and in the sequence set forth in this Proposal and in accordance with the provisions of the Approval Order, the treatment of Affected Claims shall be final and binding on the Company, all Affected Creditors (and their respective heirs, executors, administrators, legal personal representatives, successors and assigns), and all Affected Claims shall be fully, finally, irrevocably and forever released, discharged, cancelled and

barred, and the Company and the Directors shall thereupon have no further obligation whatsoever in respect of the Affected Claims; *provided that* nothing herein releases the Company or any other Person from their obligations to make distributions in the manner and to the extent provided for in the Proposal.

## **5.9 Guarantees and Similar Covenants**

No Person who has a Claim under any guarantee, surety, indemnity or similar covenant in respect of any Claim which is compromised and released under this Proposal or who has any right to claim over in respect of or to be subrogated to the rights of any Person in respect of a Claim which is compromised under this Proposal shall not be entitled to any greater rights as against the Company than the Person whose Claim is compromised under the Proposal.

## **ARTICLE 6 CONDITIONS TO IMPLEMENTATION**

### **6.1 Confirmation of Proposal**

Provided that the Proposal is approved by the Required Majority, the Trustee shall apply for the Approval Order as soon as reasonably practicable.

### **6.2 Conditions Precedent to Implementation of the Proposal**

Implementation of this Proposal on the Implementation Date is subject to the satisfaction of the following conditions precedent being satisfied on or before the Closing Date:

- (a) the Expanded Powers Order, in form and substance satisfactory to the Investor, has been issued, has not been stayed and no appeal therefrom is outstanding;
- (b) the Proposal is approved by the Required Majority;
- (c) the Approval Order, in form and substance satisfactory to the Investor acting reasonably, has been issued, has not been stayed and no appeal therefrom is outstanding;
- (d) the TSX Venture Exchange (or such other recognized Canadian exchange that the common shares of the Investor may be trading on at such time) has conditionally approved the issuance of the Investor Common Shares that are to be contributed by the Investor to the Investment Pool;
- (e) to the extent possible, and using commercially reasonable best efforts, to structure the issuance of the Investor Shares Component so as to exempt the Investor Shares Component from any hold-period under applicable securities laws, it being understood that (i) it is the Investor's present intention to issue the Investor Shares in reliance upon the business combination and reorganization exemption in National Instrument 45-106, and (ii) in no circumstances will the Investor be

obliged to file a prospectus in order to qualify the distribution of the Investor Shares;

- (f) the Interim Receiver on behalf of the Company and the Investor have entered into the Subscription Agreement, in form and substance satisfactory to the Investor, and all conditions precedent under the Subscription Agreement have been satisfied or waived in accordance with the terms thereof, other than the condition relating to the Implementation of this Proposal;
- (g) the Interim Receiver and the Investor shall have entered into the Term Sheet;
- (h) there shall not be in effect any preliminary or final decision, order or decree by a Governmental Authority, no application shall have been made to any Governmental Authority, and no action or investigation shall have been announced, threatened or commenced by any Governmental Authority, in consequence of or in connection with the Proposal that restrains, impedes or prohibits (or if granted could reasonably be expected to restrain, impede or inhibit), the Proposal or any part thereof or requires or purports to require a variation of the Proposal;
- (i) the Articles of Reorganization, in form and substance satisfactory to the Investor, effecting the reorganization of the Company's share capital in accordance with the Proposal have been filed in accordance with the Approval Order;
- (j) at the election of the Investor, all employment agreements of the Company's employees have been terminated;
- (k) no debtor in possession or interim financing has been made available to the Company without consent of the Investor, not to be unreasonably withheld;
- (l) the Company has no subsidiaries (as such term is used in the CBCA);
- (m) all other actions, documents and agreements necessary to implement the Proposal as required herein have been effected and executed, in each case, in form and substance satisfactory to the Investor, acting reasonably; and
- (n) the Investor acting reasonably shall have delivered a certificate to the Trustee that the conditions precedent to the Implementation of the Proposal have been satisfied or waived (the "**Implementation Certificate**").

**Upon written confirmation of receipt by the Trustee of the Implementation Certificate, the Implementation of the Proposal shall occur on the Implementation Date and all actions deemed to occur on the Implementation Date shall occur without the delivery or execution of any further documentation, agreement or instrument.**

**ARTICLE 7  
CREATION OF THE PROFESSIONAL FEE POOL**

**7.1 Funding of the Professional Fee Pool**

Subject to the satisfaction of all conditions precedent in Article 6 of this Proposal, on the Implementation Date the Investor shall deliver to the Trustee, in accordance with wire transfer instructions provided by the Trustee at least three (3) Business Days prior to the Implementation Date, \$500,000 in cash (the "**Professional Fee Contribution**") which is to be contributed by the Investor to the Professional Fee Pool for payment of the Administrative Fees and Expenses.

Subject to the satisfaction of all conditions precedent in Article 6 of this Proposal, the Trustee shall distribute the Professional Fee Contribution in accordance with Article 9 of this Proposal.

**7.2 Professional Fee Surplus**

If the Professional Fee Contribution is greater than the total amount of the Administrative Fees and Expenses, any surplus amount that would remain in the Professional Fee Pool after payment of all Administrative Fees and Expenses (the "**Professional Fee Surplus**") will be transferred, or otherwise contributed, by the Trustee to the Investment Pool Cash Account (as defined below).

**ARTICLE 8  
CREATION OF THE INVESTMENT POOL**

**8.1 Cash Component of the Investment Pool**

Subject to the satisfaction of all conditions precedent in Article 6 of this Proposal, on the Implementation Date the Investor shall deliver to the Trustee, in accordance with wire transfer instructions provided by the Trustee at least three (3) Business Days prior to the Implementation Date, and in partial consideration by the Investor for the subscription of the New Common Shares, \$1,350,000 in cash (the "**Cash Contribution**") which is to be contributed by the Investor to the Investment Pool and held by the Trustee in a segregated, interest-bearing trust account established by the Trustee ("**Investment Pool Cash Account**").

On the Implementation Date, the Trustee shall transfer, or otherwise contribute, to the Investment Pool Cash Account on behalf of the Investor and as partial consideration by the Investor for subscription of the New Common Shares, an amount equal to \$150,000, which was provided by the Investor to the Trustee as a deposit (the "**Deposit**").

On the Implementation Date, the Trustee shall transfer, or otherwise contribute, to the Investment Pool Cash Account, the Professional Fee Surplus in accordance with Section 7.2 hereof, such that, on the Implementation Date, the Investment Pool Cash Account shall be comprised of the Cash Contribution, the Deposit and the Professional Fee Surplus (the "**Cash Component**").

Subject to the satisfaction of all conditions precedent in Article 6 of this Proposal, the Trustee shall distribute the Cash Component of the Investment Pool in accordance with Article 9 of this Proposal.

## **8.2 Investor Shares Component of the Investment Pool**

Subject to the satisfaction of all conditions precedent in Article 6 of this Proposal, on the Implementation Date, and in partial consideration by the Investor for the subscription of the New Common Shares, the Investor shall issue, register and deliver to Computershare Trust Company of Canada or such other third-party depository acceptable to the both the Investor and the Trustee (the "**Depository**"), in trust on behalf and for the benefit of the Affected Creditors of the Company, in accordance with the Trustee's written instructions delivered to the Investor at least two (2) Business Days before the Implementation Date, Investor Shares equal to \$4,729,000 calculated based on the five-day trailing VWAP of the Investor Shares in the five (5) trading days immediately before the Implementation Date, which Investor Shares are to be contributed to the Investment Pool (the "**Investor Shares Component**").

Subject to the satisfaction of all conditions precedent in Article 6 of this Proposal, the Company with the consent of the Trustee, as applicable, shall distribute, or cause to be distributed, the Investor Shares Component of the Investment Pool in accordance with Article 9 of this Proposal.

## **ARTICLE 9 DISTRIBUTIONS UNDER THE PROPOSAL**

All distributions to be effected pursuant to the Proposal shall be made pursuant to this Article 9 and shall occur in the manner set out below under the supervision of the Trustee. Notwithstanding any other provisions of this Proposal, no distributions or transfers from the Professional Fee Pool or the Investment Pool shall be made with respect to all or any portion of a disputed Claim unless and only to the extent that such disputed Claim has become a Proven Claim, in whole or in part.

### **9.1 Superintendent's Levy**

Any distributions made pursuant to the terms hereof shall be made net of the Superintendent's Levy required to be made, pursuant to sections 147 and 60(4) of the BIA.

### **9.2 Withholding**

The Investor, Company, Trustee or Depository shall be entitled to deduct and withhold from any consideration payable to or otherwise contemplated in this Proposal such amounts as the Investor, Company, Trustee or Depository is required to deduct and withhold with respect to the making of such payment under the Income Tax Act (Canada) or any provision of state, local or foreign Tax Law and to take any action necessary to ensure that such deductions and withholdings are timely made. To the extent that amounts are so withheld by the Investor, Company, Trustee or Depository and paid to the appropriate Governmental Authority, such withheld amounts shall be treated for all purposes of this Proposal as having been paid to the Person who otherwise would have received the payment in respect of which such deduction and withholding was made by the Investor, Company, Trustee or Depository.

### 9.3 Distributions from the Professional Fee Pool

On the Implementation Date, in order to provide for the payment of the Administrative Fees and Expenses, the Trustee shall make distributions using the Professional Fee Contribution of the Professional Fee Pool, in priority to all claims of Unsecured Creditors. To the extent that the Professional Fee Pool is insufficient to satisfy all Administrative Fees and Expenses, any remaining Administrative Fees and Expenses after payment of the Professional Fee Pool ("**Excess Administrative Fees and Expenses**") shall be satisfied in accordance with Section 9.4.

### 9.4 Distributions to Preferred Creditors, Post-Filing Creditors and to satisfy Excess Administrative Fees and Expenses

On the Implementation Date, the Trustee shall make a distribution from the Cash Component of the Investment Pool equal to:

- (a) the amount payable to satisfy the Excess Administrative Fees and Expenses,
- (b) the amount payable to each Preferred Creditor less such reserves as the Trustee shall deem necessary or appropriate; and
- (c) the amount payable to each Post-Filing Creditor.

in priority to all Claims of Unsecured Creditors. For greater certainty, no payments shall be made to the Unsecured Creditors prior to the Trustee making any and all payments required under this Section 9.4, or alternatively, the Trustee reserving and holding in trust sufficient funds to pay the amounts required under this Section 9.4.

### 9.5 Initial Distribution to Unsecured Creditors

On the Implementation Date, in order to provide for the payment of the Excess Administrative Fees and Expenses, the Preferred Creditors, the Post-Filing Creditors, and the Unsecured Creditors, the Company, the Trustee, or the Depository as instructed by the Trustee, as applicable, shall make distributions from the Investment Pool in the following order of priority:

- (a) the Trustee shall first pay the Preferred Creditors, the Post-Filing Creditors and any Persons entitled to payment in respect of the Excess Administrative Fees and Expenses, in accordance with Section 9.4 of this Proposal by using the Cash Component of the Investment Pool;
- (b) the Trustee shall make the Convenience Distribution to the Unsecured Creditors by using the Cash Component of the Investment Pool; and
- (c) the Trustee, or the Company with the prior consent of the Trustee, as the case may be, shall direct, authorize or cause the Depository, as applicable, to then make the following distribution (the "**Initial Distribution**") on a *pro-rata* basis (taking into account the effect of the Convenience Distribution on the Proven Claims), to the Unsecured Creditors:

- (i) the balance of the Cash Component in the Investment Pool Cash Account; and
- (ii) Investor Shares from the Investment Pool equal to \$750,000, calculated based on the five-day trailing VWAP of the Investor Shares in the five (5) trading days immediately before the Implementation Date.

## **9.6 Distribution Upon Completion of the Pre-License Inspection**

This Section 9.6 sets forth the distribution mechanics for the distribution that will be made to the Unsecured Creditors after completion by Health Canada of a Pre-License Inspection of the Facility (the "**Pre-License Inspection**").

On or as soon as reasonably practicable after Health Canada completes the Pre-License Inspection, the Company shall send written notice (the "**Pre-License Inspection Notice**") to the Trustee setting out the date on which the Pre-License Inspection was performed and any other information provided by Health Canada regarding the Pre-License Inspection.

On or as soon as reasonably practicable after the receipt of the Pre-License Inspection Notice, the Company with the prior consent of the Trustee, shall direct, authorize, or cause the Depository to distribute Investor Shares from the Investor Shares Component of the Investment Pool equal to \$500,000, calculated based on the five-day trailing VWAP of the Investor Shares in the five (5) trading days immediately before the Implementation Date to the Unsecured Creditors on a *pro-rata* basis (the "**Pre-License Distribution**").

The Investor will use commercially reasonable best efforts to facilitate the occurrence of the Pre-License Distribution before the Outside Date. If the Trustee does not receive the Pre-License Inspection Notice by the Outside Date, the Trustee, or the Depository at the instruction of the Trustee, shall cancel and return to the treasury of the Investor the balance of the Investor Shares in the Investor Shares Component of the Investment Pool.

## **9.7 Distribution Upon Granting of License to Cultivate Medical Cannabis**

This Section 9.7 sets forth the distribution mechanics for the distribution that will be made to the Unsecured Creditors upon Health Canada granting the Company a license to cultivate medical cannabis under the MMPR/ACMPR at the Facility (the "**License**").

On or as soon as reasonably practicable after Health Canada grants the License, the Company shall send written notice (the "**License Notice**") to the Trustee setting out the date on which the License was granted and any other information provided by Health Canada regarding the License.

On or as soon as reasonably practicable after the receipt of the License Notice, the Trustee, or the Depository as instructed by the Trustee, shall distribute the balance of the Investment Pool to the Unsecured Creditors on a *pro-rata* basis, to the maximum amount of their Proven Claim (the "**License Distribution**").

The Investor will use commercially reasonable best efforts to facilitate the occurrence of the License Distribution before the Outside Date. If the Trustee does not receive the License Notice

by the Outside Date, the Trustee, or the Depository at the instruction of the Trustee, shall cancel and return to the treasury of the Investor the balance of the Investment Pool.

### **9.8 Undeliverable Distributions**

If there are any Undeliverable Distributions, then, at the discretion of and with the consent of the Trustee, the Corporation shall direct, authorize or cause the Depository to distribute the Undeliverable Distributions to the Unsecured Creditors on a *pro-rata* basis to the maximum amount of the Proven Claims of Unsecured Creditors.

### **9.9 Return of Balance of Investment Pool**

To the extent that there are any Investor Shares remaining in the Investor Shares Component of the Investment Pool after all Proven Claims of Unsecured Creditors have been paid in full, the Trustee, or the Depository as instructed by the Trustee, shall cancel and return such Investor Shares to the Company, which shall be cancelled by the Investor for no consideration.

### **9.10 Final Distributions**

As soon as reasonably possible after the acceptance of this Proposal by the Required Majority, the Trustee shall give notice pursuant to section 149(1) of the BIA to every Person with an Affected Claim of which the Trustee has notice or knowledge but whose Affected Claim has not been proved that if such Person does not prove its Claim within a period of 30 days after the sending of the notice, the Trustee will proceed to declare a final creditor distribution without regard to such Person's Claim; the distribution referred to in said notice shall be deemed a final creditor distribution and any Person so notified who does not prove its Claim within the period specified in the notice shall be barred from making a Claim in this Proposal or sharing in any creditor distribution hereunder, subject to any exceptions set out in subsections 149(2), (3) and (4) of the BIA.

### **9.11 Cancellation of Certificates and Notes**

Upon Implementation of the Proposal on the Implementation Date, all debentures, notes, certificates, agreements, invoices and other instruments evidencing Affected Claims will not entitle any holder thereof to any compensation or participation other than as expressly provided for in the Proposal and will be cancelled and will be null and void.

### **9.12 Interest**

Interest shall not accrue or be paid on Affected Claims on or after the Filing Date, and no holder of an Affected Claim shall be entitled to interest accruing on or after the Filing Date.

### **9.13 Fractional Interests**

No fractional interests of Investor Shares ("**Fractional Interests**") will be issued under this Proposal. Recipients of Investor Shares will have their entitlements adjusted downwards to the nearest whole number of Investor Shares, as applicable, to eliminate any such Fractional Interests and no compensation will be given for the Fractional Interest.



#### **9.14 Allocation of Distributions**

All distributions made pursuant to the Proposal shall be allocated first towards the repayment of the principal amount in respect of such Affected Creditor's Affected Claim and second, if any, towards the repayment of all accrued but unpaid interest in respect of such Affected Creditor's Affected Claim.

### **ARTICLE 10 PROCEDURE FOR DISTRIBUTIONS REGARDING DISPUTED CLAIMS**

#### **10.1 No Distribution Pending Allowance**

An Affected Creditor holding a disputed Claim will not be entitled to receive a distribution under the Proposal in respect of such disputed Claim or any portion thereof unless and until, and then only to the extent that, such disputed Claim is allowed pursuant to the BIA.

#### **10.2 Distributions after Disputed Distribution Claims Resolved**

Once a disputed Claim is resolved, a distribution will be made to that Affected Creditor as to its Proven Claim in accordance with Article 9 of this Proposal.

### **ARTICLE 11 IMPLEMENTATION OF THE PROPOSAL AND EFFECT OF THE PROPOSAL**

#### **11.1 Proposal Implementation**

On the Implementation Date, this Proposal will become effective and be binding on and enure to the benefit of the Company and all Affected Creditors in accordance with the terms of this Proposal, irrespective of whether the Affected Creditor submits a proof of claim under this Proposal.

#### **11.2 Effect of the Proposal Generally**

The payment, compromise or satisfaction of any Affected Claims under this Proposal, if approved by the Court, shall be binding upon each Affected Creditor and his, her or its heirs, executors, administrators and other legal representatives, successors and assigns, as the case may be, for all purposes and this Proposal will constitute (a) a full, final and absolute settlement of all rights of the Affected Creditors against the Company, and the Directors of the Company (in their capacity as Directors of the Company) in respect of the Affected Claims; and (b) an absolute release and discharge of all indebtedness, liabilities and obligations of or in respect of the Affected Claims against the Company and the Directors of the Company (in their capacity as Directors of the Company), and all Liens granted by the Company in respect thereof, including any interest or costs accruing thereon (whether before or after the Filing Date), other than distributions pursuant to the Proposal.

### **11.3 Consents and Releases**

Upon Implementation of the Proposal, all Affected Creditors will be deemed to have consented and agreed to all of the provisions of this Proposal in its entirety. In particular, each Affected Creditor shall be deemed to have executed and delivered to the Company and Directors of the Company all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Proposal in its entirety.

### **11.4 Waivers of Defaults**

Upon Implementation of the Proposal, all Persons shall be deemed to have waived any and all defaults of the Company then existing or previously committed by the Company, or caused by the Company, by any of the provisions in the Proposal or steps contemplated in the Proposal, or non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, instrument, credit document, indenture, note, lease, guarantee, agreement for sale or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and the Company and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under any such agreement shall be deemed to have been rescinded and of no further force or effect, provided that nothing shall be deemed to excuse the Company from performing its obligations under the Proposal or be a waiver of defaults by the Company under the Proposal and the related documents. For great certainty, nothing in this Section shall waive any obligations of the Company in respect of any of the Unaffected Claims.

### **11.5 Deeming Provision**

In this Proposal, the deeming provisions are not rebuttable and are conclusive and irrevocable.

### **11.6 Preferences and Transfers at Undervalue**

Section 95 through and including section 101 of the BIA do not apply to this Proposal.

### **11.7 Proposal Releases**

Upon Implementation, all Claims of the Affected Creditors and all claims of the Affected Creditors existing or hereafter arising, based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date relating to, arising out of or in connection with the Company or its assets, business or affairs, whenever and however conducted, this Proposal or the BIA Proceeding, other than Unaffected Claims, and the right to enforce the Company's obligations under this Proposal shall be deemed to be fully and finally satisfied, settled and discharged and (a) no Affected Creditor shall have any further right, remedy or claim against the Company in respect of all or any portion of the Affected Creditor's Claim, and (b) no Affected Creditor shall have any further right, remedy or claim against the officers, Directors, partners, shareholders, agents, contractors, employees or professional or legal advisors of the Company in respect of all or any portion of any Claim. Nothing herein shall release any Unaffected Claim.

## 11.8 Release of Directors

Upon Implementation, the Affected Creditors shall be deemed to fully release and discharge and shall not pursue any claims or assessments against the Company's current and former Directors for claims against such current or former Directors of the Company that arose prior to the Filing Date and that relate to the liabilities of the Company where such current or former Directors are by law liable in their capacity as Directors for the payment of such obligations. Nothing herein shall be interpreted as an acknowledgement of any liability or obligations of any of the current or former Directors. For greater certainty, Unaffected Claims, including Unaffected Claims that relate to contractual rights of one or more creditors arising from contracts with one or more Directors or based on allegations of misrepresentation made by Directors or of wrongful or oppressive conduct by the Directors are not released.

## ARTICLE 12 NOTICES

### 12.1 Notices

Any notice, certificate, consent, determination or other communication required or permitted to be given or made under this Proposal shall be in writing and shall be effectively given and made if (i) delivered personally, (ii) sent by prepaid courier service, or (iii) sent by email transmission, in each case to the applicable address set out below:

- (a) If to the Company:

**PELTON PHARMACEUTICALS INC.**

2500 – 1100 Boulevard Rene Levesque  
Montreal, QC H3B 5C9

Attention: **Edward Agopian**

Email: [edward@pelotonpharma.com](mailto:edward@pelotonpharma.com)

With a copy to:

**BCF LLP**

1100 Rene-Levesque Blvd. West  
Montreal, QC H3B 5C9

Attention: **Bertrand Giroux and Antonio Nadaira**

Email: [bertrand.giroux@bcf.ca](mailto:bertrand.giroux@bcf.ca); [antonio.nadaira@bcf.ca](mailto:antonio.nadaira@bcf.ca)

- (b) If to the Trustee:

**RAYMOND CHABOT INC.**

Suite 2000, 600 de la Gauchetiere Street West  
Montreal, QC H3B 4L8

Attention: **Jean Gagnon**

Email: [gagnon.jean@rcgt.com](mailto:gagnon.jean@rcgt.com)

With a copy to:

**DAVIES WARD PHILLIPS & VINEBERG LLP**

1501, av. McGill College

Suite 2800

Montreal, QC H3A 3N9

Attention: **Denis Ferland and Gabriel Lavery Lepage**

Email: [dferland@dwpv.com](mailto:dferland@dwpv.com); [glaverylepage@dwpv.com](mailto:glaverylepage@dwpv.com)

(c) If to the Investor:

**AURORA CANNABIS INC.**

12613 – 134 Avenue

Edmonton, AB T5L 4S9

Attention : **Terry Booth**

Email: [terry@auroramj.com](mailto:terry@auroramj.com)

With a copy to

**BENNETT JONES LLP**

100 King Street West

Toronto, ON M5X 1A4

Attention: Gavin Finlayson and Hugo Alves

Email: [finlaysong@bennettjones.com](mailto:finlaysong@bennettjones.com); [alvesh@bennettjones.com](mailto:alvesh@bennettjones.com)

any such communication so given or made shall be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of faxing or sending by other means of recorded electronic communication, provided that such day in either event is a Business Day and the communication is so delivered, faxed or sent before 5:00 p.m. (Montreal time) on such day. Otherwise, such communication shall be deemed to have been given and made and to have been received on the next following Business Day.

**ARTICLE 13  
MISCELLANEOUS**

**13.1 Capacity of Trustee and Certificate of Completion**

Raymond Chabot Inc. shall be the Trustee under this Proposal. Upon resolution of all disputed Claims, if any, and the making of the distributions by the Trustee to Proven Creditors as contemplated by this Proposal, the terms of the Proposal shall be deemed to be fully performed and the Trustee shall provide to the Company and to the Official Receiver a certificate pursuant to section 65.3 of the BIA and the Trustee shall be entitled to be discharged.

### **13.2 Non-Consummation**

If the conditions precedent to this Proposal are not met, (a) the Proposal shall be null and void in all respects, (b) any settlement or compromise embodied in the Proposal, including the fixing or limiting to an amount certain any Claim, any document or agreement executed pursuant to the Proposal shall be deemed null and void, and (c) nothing contained in the Proposal, and no acts taken in preparation for consummation of the Proposal, shall (i) constitute or be deemed to constitute a waiver or release of any Claims by or against the Company or any other Person; (ii) prejudice in any manner the rights of the Company or any other Person in any further proceedings involving the Company; or (iii) constitute an admission of any sort by the Company or any other Person.

### **13.3 Paramourncy**

From and after the Effective Time, any conflict between:

- (a) the Proposal or the Approval Order; and
- (b) the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, note, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between one or more of the Affected Creditors and the Company as at the Implementation Date and the notice of articles, articles or bylaws of the Company at the Implementation Date;

will be deemed to be governed by the terms, conditions and provisions of the Proposal and the Approval Order, which shall take precedence and priority.

### **13.4 Severability of Proposal Provisions**

If prior to the Court Approval Date, any term or provision of the Proposal is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Investor and with the consent of the Interim Receiver, shall have the power to either: (a) sever such term or provision from the balance of the Proposal and provide the Investor and Interim Receiver with the option to proceed with the implementation of the balance of the Proposal as of and with effect from Court Approval Date; or (b) alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, and provided that this Proposal proceeds to Implementation, the remainder of the terms and provision of the Proposal shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

### **13.5 Further Assurances**

The Company, the Interim Receiver, the Investor and the Affected Creditors will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or

desirable to carry out the full intent and meaning of this Proposal and to give effect to the transactions contemplated herein.

### **13.6 Governing Law**

This Proposal will be governed by and construed in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein.

### **13.7 Proposal Language**

The parties have expressly required that this Proposal be drafted in the English language. *Les parties ont expressément exigé que la présente Proposition soit rédigée en anglais.*

**[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]**

Dated at Montréal this 23 day of December, 2016.

**RAYMOND CHABOT INC.** in its capacity  
as the Interim Receiver of Peloton  
Pharmaceuticals Inc.

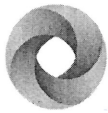
Per:   
Jean Gagnon, CPA, CA, CIRP, LIT

**SCHEDULE "A"**

**ARTICLES OF REORGANIZATION**

**The articles of reorganization will be posted on the Trustee's website by no later than January 12, 2017.**





**Raymond Chabot Inc.**

An affiliate of  
**Raymond Chabot Grant Thornton**  
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CANADA  
DISTRICT OF QUEBEC  
DIVISION NO.: 01-MONTRÉAL  
COURT NO.: 500-11-049170-158  
FILE NO.: 41-2135897  
OFFICE NO.: 300085-001

SUPERIOR COURT  
"Commercial Division"

IN THE MATTER OF THE PROPOSAL OF: **PELTON PHARMACEUTICALS INC.**

The Proposer

-and-

**RAYMOND CHABOT INC., (SR0163)**

Jean Gagnon, CPA, CA, CIRP, LIT  
Trustee in charge

Licensed Insolvency Trustee

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**ADDITIONAL REPORT OF THE TRUSTEE IN CHARGE ON THE  
STATEMENT OF THE PROPOSER'S BUSINESS AND FINANCIAL AFFAIRS**  
*(Subsections 50(10) and 50(5) of the Bankruptcy and Insolvency Act)*

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PREAMBLE

This report follows up on a re-amended proposal and explains the content.

Signed in Montréal on December 23, 2016

RAYMOND CHABOT INC.  
Licensed Insolvency Trustee

Jean Gagnon, CPA, CA, CIRP, LIT  
Trustee in charge

## 1. CREDITORS' MEETINGS

Following the filing of the proposal of Peloton Pharmaceuticals Inc. (hereafter "Peloton"), Raymond Chabot inc. (hereafter "RCI"), Trustee in charge, notified the creditors that it was also acting as Interim Receiver. RCI held three creditors' meeting which can be resumed as such:

1) Creditors' meeting on November 25, 2016

RCI informed the creditors that two potential buyers, Canopy and Aurora, have shown interest in Peloton. The creditors voted unanimously in favor of the report of the creditors' meeting in order to allow the two buyers to complete their due diligence in order to submit their offer before December 6, 2016.

2) Creditors' meeting on December 8, 2016

RCI informed the creditors that Aurora submitted an offer within the allocated timeframe while Canopy only sent an email expressing that they haven't visited the premises, but are still interested. Despite their confidentiality clause, Aurora accepted that the Trustee shared its offer with the creditors. Following the analysis of Aurora's offer, the creditors voted in favour of another report of the creditors' meeting to allow RCI and its legal counsellor to negotiate exclusively with Aurora till December 16, 2016.

3) Creditors' meeting on December 16, 2016

RCI informed the creditors that the negotiations resulted in an amended offer from Aurora. However, Aurora was unable to reach an agreement with the shareholders of Peloton. Canopy only sent a letter of interest on that date while Peloton submitted a second amended proposal to its creditors. RCI suspended the meeting in order to discuss and vote upon these three options. The majority of the creditors voted in favor of allowing RCI to extend its powers as an Interim Receiver in order to finalize the Aurora deal (hereafter the "Investor" or "Aurora").

Given the above, RCI submitted a Motion for an extension of the powers of the Interim Receiver, which was granted on December 20, 2016, essentially to file a re-amended proposal on behalf of Peloton and execute the Aurora deal (hereafter the "re-amended proposal by RCI").

Aurora's offer foresee an acquisition of the shares and an investment of \$6,729,000 in cash and in shares of Aurora in order to finance a re-amended proposal by RCI in favor of the creditors.

## 2. SUMMARY OF THE RE-AMENDED PROPOSAL BY RCI AS AN INTERIM RECEIVER

The re-amended proposal by RCI is summarized below.

In the event of any discrepancy, the complete text shall prevail over this summary.

**Secured claims**

The re-amended proposal by RCI provides for payment of the secured creditors in accordance with current contracts or agreements reached or to be reached with each or according to the law.

**Professional fees**

The Investor allocated an amount of \$500,000 (hereafter the "Professional fees pool") to be used to satisfy the fees, expenses and disbursements incurred by or on behalf of the Trustee, and the reasonable post-filing fees, expenses and disbursements of Peloton's counsel incurred in assistance of the re-amended proposal by RCI, the Approval Order and consummation of the transaction contemplated.

**Distribution of funds**

Aurora is offering to invest into Peloton \$6,229,000 as follows:

- 1) \$1,500,000 in cash plus excess funds from the Professional fees pool (if any);
- 2) Such number of common shares of the Investor to be issued from treasury equivalent to approximately \$4,729,000, calculated based on the five-day trailing VWAP of the Investor Shares in the five (5) trading days immediately before the Implementation Date.
  - a) The deadline for issuance of those shares are:
    - Initial distribution \$750,000;
    - Pre-license distribution date \$500,000;
    - License distribution date \$3,479,000.

The amount of the re-amended proposal by RCI will be used to pay:

- Post filing creditors;
- Crown Claims, which should be nil;
- Fees and disbursements of the Trustee in the re-amended proposal by RCI (portion outstanding of the \$500,000 allocated as the Professional fees pool);
- Preferred claims;
- Unsecured claims, as defined below.

Each unsecured creditor with a proven claim shall be paid as follows:

- (i) First \$2,000;
- (ii) Surplus on a pro-rata basis.

### 3. STATEMENT OF ESTIMATED REALIZATION

According to the information contained in Peloton's statement of affairs, the estimated dividend payable to unsecured creditors would be as follows:

In thousand dollars, not audited	\$	%
Claims proved as of November 25, 2016 <sup>1</sup>	6 066	
<b>Dividend in cash</b>		
Investment pool in cash	2 000	
<b>Minus:</b>		
Post filing creditors	(459)	
Professionals fees	(500)	
Preferred creditors	(76)	
<b>Estimated amount in cash for distribution to unsecured creditors</b>	<b>965</b>	<b>15,91%</b>
<b>Dividend in shares</b>		
Initial distribution	750	12,36%
Pre-license distribution date	500	8,24%
License distribution date	3 479	57,35%
<b>Estimated amount in shares for distribution to unsecured creditors</b>	<b>4 729</b>	<b>77,96%</b>
<b>Total estimated dividend of distribution</b>	<b>5 694</b>	<b>93,86%</b>

1- Included the potentially contentious claims of Patrick Brown (\$ 403,000) and Rasco Construction (\$1,6M).

2- The total estimated distribution doesn't consider the first dividend payment of \$2,000. Thus, the percentage of distribution would be superior for the creditors with smaller amounts due.

As such, the Trustee considers that the estimated dividend would be greater than the net proceeds of realization in the context of a bankruptcy.

### 4. CONCLUSION AND RECOMMENDATIONS

Considering that:

- Realization in the context of a bankruptcy would most likely not enable unsecured creditors to receive a greater dividend than the re-amended proposal by RCI;
- The re-amended proposal by RCI will enable the undertaking of the necessary steps with Health Canada to meet and maintain the conditions needed to obtain the Health Canada permit, thereby granting Peloton the right to begin the operations.

We consider that the re-amended proposal by RCI is advantageous to all creditors and, therefore, recommend its acceptance.

### 5. DIRECTION FOR VOTING ON THE RE-AMENDED PROPOSAL BY RCI

Creditors having proved a claim under the original proposal are not required to file another proof of claim if no changes have been made to their original proof of claim.

All creditors are required to complete the proof of claim and attach a statement of account or copy of their invoices. Creditors who are unable to attend or arrange representation for the January 19, 2017 meeting may also complete and mail their voting letter, indicating whether they are voting for or against accepting the re-amended proposal by RCI.

We remind creditors that, in order to vote on the re-amended proposal by RCI, they must submit their proof of claim form to the Trustee before the start of the January 19, 2017 meeting. The re-amended proposal by RCI must be approved by a majority in number and by a majority of two-thirds (2/3), in value, of the claims for each class of creditors that vote in person, by proxy, by fax at 514 858-3303, or by mail.