

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

AND

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, c. C-44 AND  
THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c. 57

AND

IN THE MATTER OF SUNNIVA INC., SUNNIVA MEDICAL INC., 11111035 CANADA INC. AND  
1167025 B.C. LTD

PETITIONERS

### **PLAN INFORMATION LETTER**

All capitalized terms used herein and not otherwise defined have the meaning ascribed to them in the Amended Consolidated Plan of Compromise and Arrangement of the Petitioners dated for reference January 14, 2021, as may be amended from time to time (the “**Plan**”) and filed pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the “**CCAA**”).

### **EFFECT OF THE PLAN**

In the Plan, the Petitioners propose a debt-to-equity conversion with respect to all Affected Claims, and corresponding distribution of Conversion Shares in the capital of Sunniva Inc. to the Affected Creditors. The Plan and corresponding debt-to-equity conversion and distribution of Conversion Shares will settle and compromise all Affected Claims against the Petitioners. In connection with the Plan:

- (a) all outstanding warrants and options will for unissued shares in Sunniva Inc. will be cancelled;
- (b) all Intercompany Claims will be extinguished;
- (c) the Petitioners intend to seek court approval to authorize access to additional funds in the short-term, including those held in trust with the Monitor and authority to complete a financing in one or more of their US subsidiaries, in the amount of approximately CDN \$1,680,000, to fund working capital expenses, the Arbitration, and resolve the on-going dispute in respect of the California Greenhouse Facility; and
- (d) in due course, obtaining additional financing, working with strategic partners and investors, working with the landlord to complete the construction of the California Greenhouse Facility, commencing cannabis cultivation operations, completing commercial third party arrangements and generating revenue.

The Petitioners' expectation is that the successful implementation of this Plan will provide greater benefits to all Persons with an economic interest in the Petitioners (including Affected Creditors) than would result from the bankruptcy of the Petitioners.

A copy of the Monitor's report analyzing the Plan and the Monitor's recommendation in connection therewith is included with this information letter.

## **VOTING**

The Plan applies only to those parties having Affected Claims. It does not apply to Unaffected Claims. Affected Creditors will vote as one class of creditors.

Each Affected Creditor with one or more Proven Claims will be entitled to one (1) vote. The weight attributed to such vote (for the purposes of determining the Required Majorities) is equal to the aggregate Canadian dollar value of the Proven Claim.

The Plan will be approved at the Meeting if the Required Majorities of Affected Creditors vote to approve the Plan, being a majority in number representing at least two-thirds of the value of the Affected Claims of Affected Creditors who actually vote, or who pursuant to the provisions of the Plan, the Claims Process Order or other Order, are deemed to have voted, on a resolution approving the Plan at the Meeting (in person, by proxy, or by ballot).

In order to participate in any voting associated with the Plan or the CCAA Proceedings of the Petitioners, a party having an Affected Claim must have either received a Claim Amount Notice or filed a Proof of Claim in accordance with the Claims Process Order pronounced in these proceedings on October 19, 2020.

Any Affected Creditor's proxy will be voted on any ballot in accordance with the terms set out in the Proxy included in this mailing.

## **CONDITIONS TO PLAN**

The Plan will not be implemented until a number of conditions precedent are met (or waived), which are set out in Article 5 of the Plan.

## **SANCTION ORDER**

If the Plan is passed by the Required Majorities, an application will be made to the Court for the Sanction Order approving the Plan pursuant to the CCAA. See the Notice to Creditors included with this mailing for further details regarding the Sanction Order Application and the Sanction Order.

## **DISTRIBUTIONS UNDER PLAN**

If the Plan is passed by the Required Majorities, and the Sanction Order is granted, the Monitor will make the payments due to Priority Claim Holders, and Sunniva Inc. will distribute the Conversion Shares to Affected Creditors, in each case under the terms of the Plan in accordance with Article 6 thereof.