No. B-250186
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF ECOATION INNOVATIVE SOLUTIONS INC.

SECOND REPORT OF KPMG INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE

May 2, 2025

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APPENDICES

I. INTRODUCTION

1. On April 8, 2025 (the "**Filing Date**"), Ecoation Innovative Solutions Inc ("**Ecoation**" or the "**Company**"), filed a Notice of Intention to Make a Proposal (the "**NOI**") pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**").

2. KPMG Inc. ("**KPMG**") consented to act as proposal trustee (in such capacity, the "**Proposal Trustee**") in the NOI proceedings of the Company. The Company's NOI proceedings are referred to herein as the "**NOI Proceedings**".

3. On April 15, 2025, the Supreme Court of British Columbia in Bankruptcy and Insolvency (the "**Court**") granted an order (the "**DIP Approval Order**") approving, among other things:

   (a) a super-priority charge over the assets of the Company as security for the professional fees and disbursements of counsel to the Company, the Proposal Trustee and counsel to the Proposal Trustee in an amount not to exceed an aggregate amount of $150,000 (the "**Administrative Charge**"); and

   (b) the terms of a $1.0 million interim senior secured financing facility (the "**DIP Facility**") provided by 1001199137 Ontario Limited (the "**DIP Lender**") pursuant to a DIP Facility term sheet dated April 7, 2025 (the "**DIP Term Sheet**"); and

   (c) a priority charge, subordinate to the Administration Charge, over all of the assets of the Company granted in favour of the DIP Lender to secure all advances under the DIP Facility pursuant to the DIP Term Sheet to a maximum amount of $1.0 million plus interest, fees and costs (the "**DIP Lender's Charge**").

4. To date, the Proposal Trustee has filed one report in respect of the Company's NOI Proceedings dated April 11, 2025 (the "**First Report**"). The First Report, which among other things provided background information on the Company and the Company's causes of insolvency, the Administration Charges and the DIP Facility and related DIP Lender's Charge.

5. Copies of materials filed in these NOI Proceedings are available on the Proposal Trustee's website for this case at: kpmg.com/ca/ecoation (the "**Case Website**")

II. PURPOSE OF REPORT

6. The purpose of this report (the "**Second Report**") is to provide the Court with information pertaining to:

   (a) an overview of the activities of the Proposal Trustee since the Filing Date;

   (b) the sale transaction contemplated under the asset purchase agreement dated April 29, 2025 (the "**Stalking Horse APA**") entered into between Ecoation, as vendor, and 1001199137 Ontario Limited (the "**Stalking Horse Bidder**"), as purchaser, and the salient terms thereof, for the sale of the Purchased Assets (as defined in the Stalking Horse APA) which, subject to the approval of this Court, is to act as the stalking horse offer (the "**Stalking Horse Bid**") in the proposed sale solicitation process (the "**Sale Process**");

   (c) the Company's proposed post-filing strategy, include an outline of the Sale Process to be carried out by the Proposal Trustee and a description of the bidding procedures (the "**Bidding Procedures**") to be used in connection therewith;

   (d) an extension of the time for the Company to file a proposal to June 22, 2025 (the "**Extension**");

   (e) the proposed key employee retention plan (the "**KERP**") to be extended by Ecoation to certain critical operational employees and contractors (the "**Ecoation Personnel**") and a charge over the assets of the Company for the benefit of the Ecoation Personnel to secure the payments thereunder (the "**KERP Charge**"); and

   (f) the recommendation by the Proposal Trustee that the Court grant an order (the "**Sale Process Order**") approving, among other things:

      i. the Stalking Horse APA solely for the purpose of acting as the Stalking Horse Bid in the Sale Process;

      ii. the Sale Process and the Bidding Procedures, and authorizing and directing the Proposal Trustee, in consultation with the Company and their advisors, to implement same;

      iii. the KERP and the KERP Charge; and

iv. the Extension.

III. TERMS OF REFERENCE

7. In preparing this Second Report, KPMG has relied on information and documents provided by the Company and its advisors, including unaudited financial information, the Company's books and records, and discussions with the Company's representatives and its legal counsel (collectively, the "**Information**"). In accordance with industry practice, except as otherwise described in the Second Report, KPMG has reviewed the Information for reasonableness, internal consistency, and use in the context in which it was provided. However, KPMG has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Auditing Standards ("**GAAS**") pursuant to the *Chartered Professional Accountant of Canada Handbook* and, as such, KPMG expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

8. Capitalized terms not otherwise defined herein are as defined in the affidavit of Saber Miresmailli, the Chief Executive Officer and Director of the Company, sworn May 1, 2025 (the "**May 1 Miresmailli Affidavit**") and filed in support of the Company's motion returnable May 7, 2025. This Second Report should be read in conjunction with the May 1 Miresmailli Affidavit as certain information contained in the May 1 Miresmailli Affidavit has not been included herein in order to avoid unnecessary duplication.

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

IV. BACKGROUND

Corporate Overview

10. The information contained herein is not intended to be an exhaustive review of all matters relating to the business of the Company and accordingly, the Proposal Trustee recommends that readers review the materials filed by the Company in respect of its motion.

11. Ecoation was formed in 2010 under the laws of the Province of British Columbia.

12. Ecoation is an industry-leading forecast platform for greenhouse growers. Through the real-time collection of data, Ecoation's customers can assess risk and make informed decisions about their crops, supported by the findings of Ecoation's expert agri-analysis team. Ecoation's platform

services include integrated pest management (IPM), yield assessment and harvest planning, crop quality check, remote consultation, 3D climate, task management, and remote viewing of crops.

13. Ecoation sells both direct to customers and through its sales channel partners. The Company's customers are located in Canada, the United States, Mexico, Europe, and Morocco.

14. Prior to the NOI Proceedings, the Company had approximately 17 employees and 9 independent contractors. The Company's workforce was comprised of salaried employees, primarily working in software engineering and other administrative functions, and independent contractors, primarily working in customer support functions. Following the Filing Date, the Company provided termination notice to a total of 11 employees and contractors in order to reduce its cash burn during these NOI Proceedings.

Creditors

15. The Company had total liabilities of approximately $3.4 million as at the Filing Date, primarily all of which was owed to His Majesty the King in Right of Canada, as represented by the Minister of Agriculture and Agri-Food, in respect of an unsecured loan advanced to Ecoation.

16. As noted in the First Report, Ecoation has no material secured creditors. The Royal Bank of Canada ("**RBC**") has a registered a security interest in the Company in the British Columbia Personal Property Registry, which the Proposal Trustee understands secures the outstanding balances under Ecoation's credit cards with RBC. The Proposal Trustee understands the outstanding balance as at the Filing Date was approximately $30k and that RBC was sent the prescribed notice to creditors of these NOI Proceedings. The Proposal Trustee understands that the Company has no further credit facilities with RBC.

V. ACTIVITIES OF THE PROPOSAL TRUSTEE

17. To date, the Proposal Trustee is of the view that Ecoation has provided the Proposal Trustee with its full co-operation and unrestricted access to its books and records. The Proposal Trustee's activities since the First Report have included, among other things:

    (a) implementing procedures for the monitoring of the Company's receipts and disbursements and for the ongoing reporting of variances to the cash flow forecast for the period from April 6, 2025 to June 28, 2025 (the "**Filing Cash Flow**");

(b) issuing the prescribed notice to creditors advising of the filing of the Company's NOI, as required under the BIA;

(c) reviewing and processing the Company's request to draw funds under the DIP Facility in accordance with the Filing Cash Flow, with approval from the DIP Lender;

(d) corresponding and communicating with the DIP Lender, in respect of the cash flow monitoring protocols and reporting implemented by the Proposal Trustee;

(e) corresponding and communicating with the Stalking Horse Bidder and its legal counsel in connection with the Stalking Horse APA;

(f) assisting the Company in their communications with stakeholders including, employees, suppliers, and customers with respect to the NOI Proceedings;

(g) drafting of the Teaser Letter, NDA and other materials related to the Sale Process, including populating the VDR (each as defined below);

(h) corresponding and communicating with the Company and its legal counsel in connection with the Stalking Horse APA, the Sale Process and the KERP;

(i) responding to calls and inquiries from employees in connection with these NOI Proceedings;

(j) attending to administrative matters, including maintaining the Case Website; and

(k) preparing the Second Report.

VI. THE STALKING HORSE APA

18. The Company, the Stalking Horse Bidder, and their respective counsel, in consultation with the Proposal Trustee and its counsel, have negotiated the terms and provisions of the Stalking Horse APA pursuant to which the Stalking Horse Bidder is proposed to, on an "as is, where is" basis, acquire the Purchased Assets (as defined herein), subject to higher or otherwise better offers, and approval of the Court.

19. The materials terms of the Stalking Horse APA, a copy of which is attached as Exhibit "B" to the May 1 Miresmailli Affidavit, are as follows[1]:

(a) Purchaser: 1001199137 Ontario Limited;

(b) Purchase Price: the total purchase price is comprised of:

i. $1,500,000 (the "**Cash Purchase Price**"); and

ii. potential additional payments, up to $30,000,000, upon the achievement or occurrence of certain milestones (the "**Earn Out**") as set out in the Stalking Horse APA;

(c) Payment of the Purchase Price: on the Closing Date, the Purchase Price will be satisfied as follows:

i. payment of the sum of: (A) the Cash Purchase Price; less (B) all amounts accrued and outstanding under the DIP Facility less (C) "Cure Costs" of any Assumed Contracts; and less (D) any Assumed Employee Accrued Vacation Pay (as defined in the Stalking Horse APA);

ii. assumption of the Assumed Liabilities by the Stalking Horse Bidder; and,

iii. the grant of the right to the Earn Out;

(d) Purchased Business: technology development with respect to real-time monitoring and data collection based on artificial intelligence, machine learning and sensor-based technology, including patents, know-how, source code, Intellectual Property, data, information and systems in connection with the applications known as the "Cropscanner", "OKO IPM", "OKO Yield" and "OKO IPM + Yield";

(e) Purchased Assets: comprised of all of the Company's right, title, benefit and interest in all tangible and intangible real or personal property, assets or undertaking of any kind that are used or required in the ownership, development, exploitation and operation of the Purchased

[1] All capitalized terms in this paragraph summarized the Stalking Horse APA shall, unless otherwise defined herein, have the meanings ascribed thereto in the Stalking Horse APA

Business in the ordinary course, including but not limited to all intellectual property and proprietary rights, whether registered or unregistered, anywhere in the world;

(f) Assumed Contracts: includes contracts, agreements or leases consists of all contracts that are necessary, desirable or advisable for the operation and management of the Purchased Business in the ordinary course that may be confirmed by the Stalking Horse Bidder (collectively the "**Assumed Contracts**") prior to 5:00 p.m (prevailing Pacific Time) on June 9, 2025 (the "**Binding Offer Deadline**"). The outstanding monetary obligations in relation to the Assumed Contracts (known as the "Cure Costs"), will be paid to the contract-party on assignment by the Stalking Horse Bidder. Any Cure Costs paid will be deducted from the Cash Purchase Price. Based on discussions with Ecoation management, the Proposal Trustee understands the Cure Costs are anticipated to be nominal, if any;

(g) Excluded Assets: means all assets of Ecoation which are not Purchased Assets, including, for greater certainty, the assets or undertaking owned, licensed or used in connection with the application known as "ROYA";

(h) Assignment Order: the Stalking Horse Bidder may request that, concurrently with the application for the Approval and Vesting Order, the Company seek an order (the "**Assignment Order**") in respect of the Assumed Contracts for which the consent of the necessary contract counterparties is required and cannot be obtained;

(i) Deposit: The Stalking Horse APA does not contain a deposit as the Stalking Horse Bidder provided the Company with the DIP Facility that will be deducted against the Purchase Price, as described above;

(j) Closing Date: two (2) business days after the date on which the Court issues an order (the "**Approval and Vesting Order**") approving the transaction contemplated under the Stalking Horse APA and not later than the Outside Date;

(k) Recognition Order: if reasonably required by the Stalking Horse Bidder to give effect to the Approval and Vesting Order to transfer the Purchased Assets located or domiciled in the United States or any other foreign jurisdiction, the Stalking Horse Bidder shall notify Ecoation and the Proposal Trustee requiring such parties to seek an order of the United States Bankruptcy Court, among other things, recognizing the Approval and Vesting Order on a final basis with full force and recognition in the United States or in any other competent

jurisdiction (the "**Recognition Order**"), provided however that the Stalking Horse Bidder shall pay any and all fees and expenses incurred by the Proposal Trustee as foreign representative, in connection therewith;

(l) Bid Protections: a break-fee in the amount of $50,000 (the "**Break Fee**"), plus an amount up to $75,000 for repayment of professional fees and expenses incurring by the Stalking Horse Bidder relating to the transaction contemplated by the Stalking Horse APA (the "**Expense Reimbursement**", and together with the Break Fee, the "**Bid Protections**");

(m) Outside Date: June 30, 2025, or such later date and time as the Company and the Stalking Horse Bidder may agree to in writing;

(n) Termination: the Stalking Horse APA may be terminated prior to the Closing Date upon the occurrence of, but not limited to, one of the following:

i. by mutual agreement of the Company and the Stalking Horse Bidder;

ii. by the Company or the Stalking Horse Bidder if the closing of the transaction has not occurred by the Outside Date, provided that the failure to close by such deadline is not caused by a breach of Stalking Horse APA by the party proposing to terminate the Stalking Horse APA;

iii. by the Company or the Stalking Horse Bidder if there has been a material breach of the Stalking Horse APA by the other party where such breach has not been cured within ten (10) days following the date upon which the Proposal Trustee and the Company received notice; or

iv. by the Stalking Horse Bidder if the Approval and Vesting Order is not granted.

(o) Name Change: within ten (10) business days following the Closing Date, the Company shall change its name to 0876120 B.C. Ltd. or one that does not contain the word "Ecoation" or the phrase "Ecoation Innovative Solutions".

20. The Stalking Horse APA provides for payment of the Bid Protections to the Stalking Horse Bidder in the event it is not the Successful Bidder pursuant to the Sale Process. The Proposal Trustee notes that the Bid Protections represents approximately 8.3% of the Purchase Price.

21. The Proposal Trustee has reviewed recent comparable stalking horse agreements wherein bid protections have been approved in transactions of this nature, and notes that the proposed Bid

Protections are in the upper range of percentages of the Cash Purchase Price as compared to market parameters, which typically range between 2.8% to 10.0% of the cash purchase price with an average of 5.6% for transaction values between $1 million and $5 million. However, as a dollar value, the proposed Bid Protections are reasonable in the circumstances given the time and effort expended in due diligence, negotiation and settling the Stalking Horse APA, and fall within the typical range of between $55,000 and $275,000, with an average fee of $146,875, for comparable transaction sizes. Further, the Proposal Trustee notes that the Stalking Horse APA includes the Earn Out provisions (which is unique in insolvency transactions) and when taken into account, the Bid Protections reduced to a nominal amount of the Purchase Price. Attached hereto as **Appendix "A"** is an analysis of bid protections approved by Canadian courts in insolvency proceedings commenced over the last three (3) years.

22. Based on the foregoing, the Proposal Trustee is of the view that the proposed Bid Protections are reasonable in the circumstances given the time and expense incurred by the Stalking Horse Bidder to date, and will not unduly "chill" bidding on the Purchased Assets as part of the proposed Sale Process.

23. The Stalking Horse APA provides for a going concern sale of the business, which would likely exceed realizations that would be achieved in a liquidation scenario given the nature of the Company's assets, which primarily consists of intellectual property. The Sale Process, as discussed below, will provide for a fair and transparent marketing process that should allow the Company to pursue other potential Stalking Horse Bidders who may offer higher or otherwise better offers for the Purchased Assets than provided for in the Stalking Horse Bid.

VII. THE SALE PROCESS

24. As set out in the May 1 Miresmailli Affidavit, the Company, with the assistance of its advisors and in consultation with the Proposal Trustee, has concluded that a restructuring focusing on completing a sale of the assets and business of the Company pursuant to the proposed Sale Process should maximize value for all stakeholders.

25. As noted in the affidavit of Saber Miresmailli sworn on April 9, 2025, the Company previously undertook restructuring efforts in 2024 and attempted to complete a transaction for the sale of substantially all of its assets and business prior to these NOI Proceedings. An overview of the previous solicitation process is as follows:

(a) Ecoation launched the previous solicitation process in June 2024 and contacted thirty (30) prospective purchasers, inclusive of strategic and financial parties, providing preliminary background information regarding the Company;

(b) of the thirty (30) parties, sixteen (16) began exploratory conversations with the Company and were shortlisted for further negotiations;

(c) parties interested in learning more about Ecoation were required to sign a non-disclosure agreement, following which they were provided access to a data room that contained financial, legal, tax, and operational information. Seven (7) parties signed the non-disclosure agreement and commenced several months of preliminary due diligence; and

(d) Ecoation received one (1) non-binding letter of intent from a prospective purchaser related to the Stalking Horse Bidder which undertook up to five (5) months of due diligence on the Company. However, during the due diligence period, Ecoation began to face significant liquidity challenges that ultimately commenced these NOI Proceedings.

Bidding Procedures[2]

26. Given the Company's limited liquidity, the Company, in consultation with the Proposal Trustee, developed the Sale Process to promote a competitive, fair, and expedient sale process that seeks to maximize the value of the Company's Property and/or Business. The Proposal Trustee notes that the proposed timelines, while compressed, are reasonable in the circumstances given, among other things, the Company's previous marketing efforts, its lack of liquidity, and uncertainty the NOI Proceedings have created for Ecoation's customers and employees. Further, the Proposal Trustee is of the view that the prospective purchasers would largely be strategic parties already familiar with the Company's business and industry.

27. The purpose of the Sale Process is to identify one or more purchasers for the Company's business and/or assets, or a sale of all of the Company's assets (including the Purchased Assets) or a portion thereof as a going concern or otherwise. In order to provide interested parties with an opportunity to bid on the Company's Property and/or Business, the Proposal Trustee proposes to market the opportunity to prospective Stalking Horse Bidders for a period of approximately 33 days. As noted

[2] Terms used but not otherwise defined in this section have the meaning ascribed to them in the Bidding Procedures.

below, the proposed timelines are reasonable in the circumstances and reflective of the Company's limited liquidity.

28. The following table summarizes the key dates and timelines pursuant to the Sale Process:

Date	Event
By no later than May 8, 2025	Commence solicitation of interest from parties, including delivering NDA and Teaser Letter, and upon execution of NDA (each as defined below) and access to VDR
By no later than 5:00 p.m. (Pacific Time) on June 9, 2025	Binding Offer Deadline (as defined below)
By no later June 10, 2025	Auction, if needed
By no later than June 11, 2025	Selection of Successful Bid
By no later than June 25, 2025 or the earliest date available thereafter	Approval Motion (as defined below)
As soon as possible but no later than June 30, 2025	Closing of Successful Bid

29. The key features of the Bidding Procedures, a copy of which is attached as Exhibit "A" to the May 1 Miresmailli Affidavit are outlined below:

(a) Notice: as soon as possible from the date of issuance of the Sale Process Order, the Proposal Trustee will distribute (i) an offering summary describing the transaction opportunity (the "**Teaser Letter**") and outlining the process under the Sale Process, including the Binding Offer Deadline and (ii) in a form of non-disclosure agreement (the "**NDA**") to a list of interested parties (the "**Known Potential Bidders**"), which has been developed by the Proposal Trustee and Ecoation. The Proposal Trustee will cause the Teaser Letter and NDA to be sent to any other party who requests a copy of the Teaser Letter and NDA or who is identified to the Proposal Trustee as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

(b) Diligence: Any party that wishes to participate in the Sale Process (a "**Potential Bidder**") will be required to provide the Proposal Trustee: with (i) an executed NDA and (ii) a letter detailing the identity of the Potential Bidder, its direct and indirect principals, and contact information for such Potential Bidder. Potential Bidders that wish to commence due diligence on the Purchased Assets will be provided, by the Proposal Trustee, with a copy of the proposed Stalking Horse APA and any material amendments thereto, as well as access to a virtual data room (the "**VDR**") that contains confidential financial and other information relating to the Company and its operations.

(c) Qualified Bidder: A Potential Bidder (who has delivered the executed NDA and letter as set out above) will be deemed a "Qualified Bidder" if the Proposal Trustee, in its reasonable judgment, and in consultation with the Company, determines such person is likely, based on the availability of financing, experience and other considerations, to be able to consummate a sale transaction pursuant to the Sale Process. The Stalking Horse Bidder is considered a "Qualified Bidder" pursuant to the Bidding Procedures.

(d) Binding Offers: Any Qualified Bidder (in such capacity, a "**Binding Offer Bidder**"), other than the Stalking Horse Bidder, that wishes to make a formal bid to acquire all, substantially all or a component of the Property and/or Business, whether through an asset purchase, a share purchase or a combination thereof, must submit a binding offer (a "**Binding Offer**"), in the form of a markup to the Stalking Horse APA to show any amendments and modifications thereto. In addition to the foregoing, a Binding Offer must, among other things:

i. provide for cash as the form of consideration for the proposed sale;

ii. include evidence, satisfactory to the Proposal Trustee, in consultation with the Company, of the ability to close the transaction within the timeframes contemplated by the Sale Process;

iii. include a written statement that such offer be binding and irrevocable unless and until the earlier of: (i) two (2) business days after the date of closing of the Successful Bid; and (ii) the Outside Date;

iv. provides for proceeds on closing no less than the aggregate of: (A) the amount of Cash Purchase Price, plus (B) the amount of cash payable to cover the Bid Protections, plus (C) the Earn Out;

v. be accompanied by a deposit of not less than 10% of the Cash Purchase Price payable on closing;

vi. identify any executory contracts and leases of the Company that the Qualified Bidder will assume;

vii. contain the Qualified Bidder's proposed treatment of employees of the Company;

viii. not provide for any break or termination fee, expense reimbursement or similar type of payment, it being understood and agreed that no bidder will be entitled to any bid protections; and

ix. be received by the Proposal Trustee on or prior to 5:00 p.m. (prevailing Pacific Standard Time) on June 9, 2025 (the "**Binding Offer Deadline**").

(e) Selection of Successful Bid: The Proposal Trustee, in consultation with Ecoation, may, following the receipt of any Binding Offer, seek clarification with respect to any of the terms or conditions of such Binding Offer and/or request and negotiate one or more amendments to such Binding Offer prior to determining if the Binding Offer should be considered. The Proposal Trustee and Ecoation will review and evaluate each relevant Binding Offer to identify and select the highest and otherwise best Binding Offer (the "**Successful Bid**", and the Binding Offer Bidder making such Successful Bid, the "**Successful Bidder**"). The Proposal Trustee, in consultation with the Company, may consider any commercial factor in evaluating Binding Offers, including speed, certainty, value and preservation of employment;

(f) Auction: If the Proposal Trustee determines that more than one Binding Offer (other than the Stalking Horse Bid) should be considered, the Proposal Trustee may, without being obligated to do so, conduct an auction (the "**Auction**") to select the highest and/or best Binding Offer. Significant aspects of the Auction include the following:

i. the Auction will commence by no later than June 10, 2025 at a time to be designed by the Proposal Trustee;

ii. only the Proposal Trustee, the Company, the Stalking Horse Bidder, and any other Binding Offer Bidders, along with their respective representatives and advisors, will be entitled to attend the Auction;

iii. prior to the Auction, the Proposal Trustee will identify which of the Binding Offer(s) will constitute the opening bid (the "**Opening Bid**") at the Auction;

iv. bidding at the Auction will begin with the Opening Bid and continue in bidding increments (each a "**Subsequent Bid**") providing a net incremental value of at least an additional $50,000 cash in excess of the Opening Bid, or a lower amount if determined appropriate by the Proposal Trustee;

v. each participating Binding Offer Bidder will be given reasonable opportunity to submit an overbid at the Auction to any then-existing overbids. The Auction will continue until the bidding has concluded and there is one remaining Binding Offer Bidder. At such time and upon the conclusion of the bidding, the Auction will be closed, and the Proposal Trustee shall declare the Successful Bidder; and

vi. upon selection of a Successful Bidder, the Proposal Trustee will require the Successful Bidder, to deliver, as soon as practicable, an amended and executed transaction document that reflects the Successful Bid, as applicable.

30. In the event the Proposal Trustee does not receive a Binding Offer (other than the Stalking Horse Bid), the Stalking Horse Bid will be deemed the Successful Bid, the Company will promptly seek Court approval of the Stalking Horse APA and the transactions contemplated therein.

31. The Bidding Procedures provide that the Proposal Trustee, in consultation with the Company, may at any time and from time to time, modify, amend, vary or supplement the Bidding Procedures, without the need for obtaining an order of the Court or providing notice to Qualified Bidders, Binding Offer Bidders or the Successful Bidder provided that the Proposal Trustee determines that such modification, amendment, variation or supplement is expressly limited to changes that do not materially alter, amend or prejudice the rights of such bidders (including the rights of the Stalking Horse Bidder, except with the authorization of the Stalking Horse Bidder) and that are necessary or useful in order to give effect to the substance of the Sale Process and the Bidding Procedures. The Proposal Trustee will post on the Case Website, as soon as reasonably practicable, any such modification, amendment, variation or supplement to the Bidding Procedures and inform the bidders impacted by such modifications.

32. Among other things, the Bidding Procedures provide for an orderly and appropriately competitive process through which potential acquirers may submit bids for the Company's Property and/or

Business. Additionally, the Bidding Procedures will allow the Proposal Trustee, in consultation with the Company, to conduct the Auction, if required, in a fair and transparent manner that will encourage participation by financially capable bidders with demonstrated ability to consummate a timely transaction.

33. In the Proposal Trustee's view, the Sale Process and the Bidding Procedures are consistent with market practice, provide a reasonable opportunity for potential Bidders to submit higher or otherwise better offers to the Stalking Horse APA, and are reasonable and appropriate in the circumstances.

VIII. KEY EMPLOYEE RETENTION PLAN

34. In order to ensure the continued participation of Ecoation Personnel who are critical for the execution of the Sale Process, the Company is seeking approval of the KERP and the KERP Charge.

35. The primary purpose of the KERP is to retain the Ecoation Personnel who may otherwise seek other employment opportunities given the circumstances of these NOI Proceedings by offering them a cash payment, less applicable withholdings and deductions, if they remain employed with the Company through the closing of a transaction pursuant to the Sale Process.

36. As detailed in the May 1 Miresmailli Affidavit, the Ecoation Personnel are critical to the success of the NOI Proceedings and implementation of the Sale Process. The Key Employees are expected to, among other things, assist with due diligence requests during the Sale Process, maintain Ecoation's customer relationships and technology applications and other intellectual property, and respond to information requests as they may arise.

37. The aggregate amount payable under the KERP is $50,000 to be allocated among nine (9) individuals, with an equal amount to be allocated to each recipient, being $5,555. The Proposal Trustee notes that the Ecoation Personnel does not include any director, officer and/or shareholders of Ecoation.

38. To secure the payments to the Ecoation Personnel under the KERP, the Company seeks approval of the KERP Charge limited to the maximum aggregate amount of $50,000 and the KERP Charge is proposed to rank subordinate to the Administration Charge and the DIP Lender's Charge.

39. Based on the foregoing, the Proposal Trustee is of the view that KERP amounts, and granting of the related KERP Charge, are reasonable to ensure the successful completion of the Sale Process.

IX. COMPANY'S REQUEST FOR EXTENSION

40. The Company is seeking an extension of the time to file a proposal to June 22, 2025 to permit the Proposal Trustee time to undertake the Sale Process described above.

41. The Proposal Trustee supports the Company's request for the Extension for the following reasons:

    (a) the Company is acting in good faith and with due diligence in taking steps to facilitate a sale of its operations;

    (b) it is the Proposal Trustee's view that an extension will not prejudice or adversely affect any group of creditors;

    (c) the Filing Cash Flow indicates that the Company is forecasted to have sufficient liquidity to continue to fund operations through the requested extension period ending June 28, 2025;

    (d) additional time will be required to implement the Sale Process and establish whether there is any serious interest from Known Interested Bidders in acquiring the Company's Property and/or Business (as defined in the Bidding Procedures) in connection therewith.

42. While it is too early to say whether a viable proposal will be presented by the Company to its creditors, in the Proposal Trustee's view, the Company's request for the Extension is appropriate in the circumstances, as the current extension request properly reflects the timeframe by which the Proposal Trustee will be able to provide this Court with a meaningful update on the progress of the Sale Process.

X. CONCLUSIONS AND RECOMMENDATIONS

43. For the reasons set out in the Second Report, the Proposal Trustee is of the view that the relief requested by the Company is both appropriate and reasonable in the circumstances and the Proposal Trustee recommends that this Court grant an order, approving among other things:

(a) the Stalking Horse APA solely for the purpose of acting as the Stalking Horse Bid in the Sale Process;

(b) the Sale Process and the Bidding Procedures, and authorizing and directing the Proposal Trustee, in consultation with the Company, to implement the same;

(c) the KERP and the KERP Charge; and

(d) the Extension.

All of which is respectfully submitted on this 2nd day of May 2025.

KPMG Inc.
in its capacity as Proposal Trustee of
Ecoation Innovative Solutions Inc.
and not in its personal capacity

Per

Huey Lee
CIRP, LIT
Senior Vice President

Appendix “A”

Stalking Horse Break Fee Analysis

Current as at March 3, 2025

Debtor	Purchaser	Proceeding Type	Trustee	APA date	Jurisdiction	Industry	A Termination Fee	B Expense Reimbursement	C = A + B Total Break Fee ("BF")	Estimated Transaction Value ("TV")	BF as a % of TV	Note
Noya Cannabis Inc. and Noya Holdings Inc.	Lending Stream Inc.	CCAA	BDO	11-Nov-24	Ontario	Cannabis	175,000	100,000	275,000	3,850,000	7.1%	
Brands International Corporation	AMG Global Holdings ULC	NOI	KPMG	18-Dec-24	Ontario	Manufacturing	100,000	125,000	225,000	2,250,000	10.0%	
Pioneer Balloon Canada Limited	1488108 B.C. Ltd.	NOI	KPMG	20-Jun-24	Ontario	Manufacturing	75,000	25,000	100,000	2,300,000	4.3%	
Digital Orthodontic Care Inc.	Ortho Studios Express, Inc.	Receivership	Richter	10-Aug-23	Ontario	Healthcare	85,000	-	85,000	3,000,000	2.8%	Credit bid
Pathway Health Corp. (TSV: PHC) and Pathway Health Services Corp.	AvonleaDrewry Holdings Inc.	Interim Receivership	KSV	2-Oct-23	Ontario	Healthcare			62,500	1,250,000	5.0%	
1194038 Alberta Ltd.	2262576 Alberta Ltd.	Receivership	EY	5-Jun-23	Alberta	Real Estate	125,000		125,000	4,375,000	2.9%	
Trichome Financial Corp.	L5 Capital Inc.	CCAA	KSV	12-Dec-22	Ontario	Cannabis	-	200,000	200,000	5,000,000	4.0%	
Westoak Naturals Inc.	Avena Foods Limited	Receivership	BDO	9-Nov-22	Ontario	Distribution	30,000	25,000	55,000	1,000,000	5.5%	
The Flowr Corporation et al.	1000343100 Ontario Inc.	CCAA	EY	31-Oct-22	Ontario	Cannabis	185,000		185,000	3,888,889	4.8%	
Solvaqua Inc.	2464525 Alberta Ltd.	Receivership	MNP	1-Oct-22	Alberta	Other	175,000		175,000	2,500,000	7.0%	
Cannapiece Group Inc. et al.	Cardinal Advisory Limited	CCAA	BDO	8-Nov-22	Ontario	Cannabis	175,000	25,000	200,000	3,500,000	5.7%	
Behr Technologies Inc.	13486826 Canada Inc.	NOI	Farber	19-Jan-22	Ontario	Technology	75,000		75,000	1,000,000	7.5%	
									146,875	Average	5.6%	
									275,000	Max	10.0%	
									55,000	Min	2.8%	