

## AMENDING AGREEMENT NO. 2

**THIS AMENDING AGREEMENT NO. 2** (this "**Agreement**") is dated as of this 31<sup>st</sup> day of May, 2019 among (i) Covalon Technologies Ltd. (the "**Borrower**"), (ii) each of the Guarantors party to the Credit Agreement (as hereinafter defined), (iii) HSBC BANK CANADA, as administrative agent (the "**Administrative Agent**"), and (iv) HSBC Bank Canada and the other financial institutions from time to time party thereto as lenders (collectively, the "**Lenders**");

**WHEREAS** the Obligors, the Administrative Agent and the Lenders entered into a Credit Agreement dated as of August 9, 2018, as amended by the First Amendment to the Credit Agreement dated as of March 6, 2019 (collectively, the "**Credit Agreement**");

**AND WHEREAS** the parties hereto wish to amend the terms of the Credit Agreement on the terms and subject to the conditions set out in this Agreement;

**NOW THEREFORE THIS AGREEMENT WITNESSETH** that for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

### **1. Definitions**

Except as otherwise expressly defined in this Agreement, all words and phrases beginning with initially capitalized letters shall have the same meaning in this Agreement as are ascribed to them in the Credit Agreement.

### **2. References.**

Upon execution of this Agreement, the Credit Agreement shall be deemed to have been amended and the terms "hereof", "herein", "this Agreement" and similar terms used in the Credit Agreement, shall mean and refer to, from and after the date of this Agreement, the Credit Agreement as amended by this Agreement.

### **3. Continued Effectiveness.**

Nothing contained in this Agreement shall be deemed to be a waiver by the Administrative Agent or any Lender of compliance by any Obligor of any covenant or agreement contained in, or a waiver of any Default or Event of Default under the Credit Agreement, and each of the parties hereto agrees that the Credit Agreement as amended by this Agreement shall remain in full force and effect.

### **4. Invalidity of any Provisions.**

Any provision of this Agreement which is prohibited by the laws of any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition in such jurisdiction without invalidating the remaining terms and provisions hereof and no such invalidity shall affect the obligation of the Borrower to pay the Obligations in full.

### **5. Captions and Heading.**

The inclusion of headings preceding the text of the sections of this Agreement are intended for convenience of reference only and shall not affect in any way the construction or interpretation thereof.

## **6. Representations and Warranties**

Each of the Obligors hereby represents and warrants to the Administrative Agent and each of the Lenders as follows, acknowledging that the Administrative Agent and each of the Lenders is relying thereon without independent inquiry in entering into this Agreement:

- (a) no Default or Event of Default has occurred and is continuing and no event has occurred which has had, or could reasonably be expected to have, a Material Adverse Effect;
- (b) each of the Obligors has full corporate or limited partnership power and authority to enter into this Agreement and to perform all of its obligations under this Agreement. This Agreement has been duly authorized, executed, and delivered by such Persons and constitutes a valid and binding obligation of the Borrower and each Guarantor enforceable against them in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance or similar laws affecting creditors' rights generally and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law); and this Agreement does not, nor does the performance or observance by the Borrower or any Guarantor of any of the matters and things herein provided for, (a) contravene or constitute a default under any provision of law or any judgment, injunction, order or decree binding upon the Borrower or any Guarantor or any provision of the organizational documents (e.g., charter, certificate or articles of incorporation and by-laws, certificate or articles of association and operating agreement, limited partnership agreement, or other similar organizational documents) of the Borrower or any Guarantor, (b) contravene or constitute a default under any covenant, indenture or agreement of or affecting the Borrower or any Guarantor or any of their Property, in each case under (a) and (b) where such contravention or default, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect, or (c) result in the creation or imposition of any Lien on any Property of the Borrower or any Guarantor;
- (c) no authorization, consent, license or exemption from, or filing or registration with, any Governmental Authority, nor any approval or consent of any party to any Material Contract or any other Person, is or will be necessary to the valid execution, delivery or performance by any Obligor of this Agreement, except for such approvals, consents, authorizations, licenses, exceptions, filings or registrations which have been obtained or made prior to the date of this Agreement and remain in full force and effect, and except, in the case of any approval or consent under any covenant, indenture or agreement, where the failure to obtain the same would not reasonably be expected to have a Material Adverse Effect; and
- (d) the representations and warranties set forth in the Credit Agreement as amended hereby and in the other Loan Documents are true and correct on and as of the date hereof (except where such representation or warranty refers to a different date).

## **7. Conditions Precedent to Amendments**

This Agreement shall not become effective until the Administrative Agent shall have received the following all in form and substance satisfactory to the Administrative Agent:

- (a) this Agreement shall have been duly executed and delivered by each of the Obligors;

- (b) the Borrower shall pay to the Administrative Agent for the account of each Lender who executes this Agreement an amendment fee of [Redacted for confidentiality reasons]; and
- (c) the Administrative Agent shall have received all such other certificates, documents, opinions, and information that they reasonably request.

## 8. Amendments

Subject to satisfaction of the conditions precedent set forth in Section 7 of this Agreement, the Credit Agreement is hereby amended as follows:

- (a) The definition of "Senior Funded Debt Assigned Cash" is hereby added to Section 1.1 of the Credit Agreement as follows:

“**Senior Funded Debt Assigned Cash**” means, unrestricted cash, credit balances and deposit instruments in which the Administrative Agent (on behalf of the Lenders) has been granted a security interest by any Obligor and is held in a bank account at HSBC or is subject to a deposit account control agreement in form and substance satisfactory to the Administrative Agent.”

- (b) The definition of "Senior Funded Debt" in Section 1.1 of the Credit Agreement is hereby amended by deleting the definition in its entirety and replacing it as follows:

“**Senior Funded Debt**” means, at any time the same is determined, on a Consolidated basis in respect of the Borrower, all Indebtedness of the Borrower plus Capitalized Lease Obligations plus the current portion of the VTB Loan less unsecured Indebtedness and Subordinated Debt less Senior Funded Debt Assigned Cash to a maximum amount of \$5,000,000.”

- (c) Section 8.4(a) of the Credit Agreement is hereby amended by deleting this subsection in its entirety and replacing it as follows:

“*Fixed Charge Coverage Ratio*. As of (i) the last day of the Fiscal Quarter ended March 31, 2019, the Borrower shall maintain the Fixed Charge Coverage Ratio as determined on a Consolidated, rolling four quarter basis in accordance with IFRS, for the four Fiscal Quarters then ended, of greater than 1.20 to 1.00 and (ii) the last day of each other Fiscal Quarter, the Borrower shall maintain the Fixed Charge Coverage Ratio as determined on a Consolidated, rolling four quarter basis in accordance with IFRS, for the four Fiscal Quarters then ended, of greater than 1.25 to 1.00.”

- (d) Section 8.4(b) of the Credit Agreement is hereby amended by deleting this subsection in its entirety and replacing it as follows:

“*Senior Funded Debt to EBITDA Ratio*. As of (i) the last day of the Fiscal Quarter ended March 31, 2019 the Borrower shall maintain the Senior Funded Debt to EBITDA Ratio, as determined on a Consolidated, rolling four quarter basis in accordance with IFRS, for the four Fiscal Quarters then ended, of less than 3.00 to 1.00 and (ii) each other Fiscal Quarter, the Borrower shall maintain the Senior Funded Debt to EBITDA Ratio, as determined on a Consolidated, rolling four quarter basis in accordance with IFRS, for the four Fiscal Quarters then ended, of less than 2.75 to 1.00.”

## 9. Borrower Confirmation.

The Borrower hereby confirms and agrees in favour of the Administrative Agent and the Lenders as follows:

- (a) it hereby confirms and agrees that it continues to be bound by the provisions of the Security to which it is a party (as such Security may be amended, renewed or replaced from time to time) and that such Security remains in full force and effect and secures payment of the Obligations; and
- (b) it hereby acknowledges and confirms that the Security to which it is a party and all other assignments, guarantees, agreements, filings and registrations with respect to the Security to which it is a party and all other interests granted by it in favour of the Administrative Agent shall remain in place and continue to be binding and effective as against it and shall without limitation, stand as continuing security for the performance of the Obligations.

## 10. Guarantor Confirmation.

Each of the Guarantors hereby confirms and agrees in favour of the Administrative Agent and the Lenders as follows:

- (a) it (i) confirms that it continues to be bound by the Guarantee delivered by it in favour of the Administrative Agent (in each case, the "**Guarantee**"); (ii) confirms and agrees that for all purposes of the Guarantee all references to the Credit Agreement shall be deemed to refer to the Credit Agreement as amended by this Agreement; and (iii) covenants and agrees that the Guarantee shall continue to stand as a continuing guarantee of all Obligations (as defined in the Guarantee);
- (b) it hereby covenants and agrees that the Guarantee continues to constitute a legal, valid and binding obligation of it, enforceable against it in accordance with the terms thereof;
- (c) it hereby confirms and agrees that it continues to be bound by the provisions of the Security to which it is a party (as such Security may be amended, renewed or replaced from time to time) and that such Security remains in full force and effect and secures payment of all present and future, direct and indirect, absolute or contingent, indebtedness, liabilities and obligations owing by such Guarantor to the Administrative Agent and each of the Lenders from time to time including, without limitation, under the Guarantee (collectively, the "**Guaranteed Obligations**"); and
- (d) it hereby acknowledges and confirms that the Security to which it is a party and all other assignments, guarantees, agreements, filings and registrations with respect to the Security to which it is a party and all other interests granted by it in favour of the Administrative Agent shall remain in place and continue to be binding and effective as against it and shall without limitation, stand as continuing security for the performance of the Guaranteed Obligations.

## 11. Successors and Assigns

This Agreement shall be binding upon, and shall enure to the benefit of each of the parties hereto and their respective successors and permitted assigns.

**12. Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

**13. Counterparts**

This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or electronic mail shall be as effective as delivery of a manually executed counterpart of this Agreement.

**14. One Agreement**

This Agreement further amends and supplements the Credit Agreement. This Agreement and the Credit Agreement shall be read together and constitute one agreement with the same effect as if the amendments made by this Agreement had been contained in the Credit Agreement as of the effective date of this Agreement. Any reference to the "Credit Agreement" in any other Loan Document shall refer to the Credit Agreement, as amended hereby.

**15. Conflict**

If there is a conflict between any provision of this Agreement and any provision of the Credit Agreement, the relevant provision of this Agreement shall prevail.

**16. Further Assurances**

Each party hereto shall from time to time promptly execute and deliver all further documents and take all further action necessary to give effect to the provisions and intent of this Agreement.

**17. No Novation**

This Agreement will not discharge or constitute novation of any debt, obligation, covenant or agreement contained in the Credit Agreement or any of the other Loan Documents (as defined in the Credit Agreement).

*[Signature pages follow.]*

**IN WITNESS WHEREOF** the parties hereto have caused this Agreement to be executed by their respective officers, duly authorized in that regard as of the date first above-written.

**BORROWER**

**COVALON TECHNOLOGIES LTD.**

By: (signed) "Brian Pedlar"

Name: Brian Pedlar

Title: CEO

By: (signed) "Danny Brannagan"

Name: Danny Brannagan

Title: CFO

**GUARANTORS**

**COVALON TECHNOLOGIES INC.**

By: (signed) "Brian Pedlar"  
Name: Brian Pedlar  
Title: CEO

By: (signed) "Danny Brannagan"  
Name: Danny Brannagan  
Title: CFO

**COVALON TECHNOLOGIES HOLDINGS (USA), LTD.**

By: (signed) "Brian Pedlar"  
Name: Brian Pedlar  
Title: CEO

By: (signed) "Danny Brannagan"  
Name: Danny Brannagan  
Title: CFO

**COVALON TECHNOLOGIES AG, LTD.**

By: (signed) "Brian Pedlar"  
Name: Brian Pedlar  
Title: CEO

By: (signed) "Danny Brannagan"  
Name: Danny Brannagan  
Title: CFO

**COVALON HEALTHCARE INC.**

By: (signed) "Brian Pedlar"  
Name: Brian Pedlar  
Title: CEO

By: (signed) "Danny Brannagan"  
Name: Danny Brannagan  
Title: CFO

**COVALON TECHNOLOGIES (USA), LTD.**

By: (signed) "Brian Pedlar"  
Name: Brian Pedlar  
Title: CEO

By: (signed) "Danny Brannagan"  
Name: Danny Brannagan  
Title: CFO

**COVALON TECHNOLOGIES (EUROPE) LTD.**

By: (signed) "Brian Pedlar"  
Name: Brian Pedlar  
Title: CEO

By: (signed) "Danny Brannagan"  
Name: Danny Brannagan  
Title: CFO

**HSBC BANK CANADA, as Administrative Agent**

By: (signed) "Maximilian Smith"  
Name: Maximilian Smith  
Title: Senior Relationship Manager

By: (signed) "Jason Stegu"  
Name: Jason Stegu  
Title: Senior Relationship Manager



**HSBC BANK CANADA, as a Lender**

By: *(signed) "Maximilian Smith"*

Name: Maximilian Smith

Title: Senior Relationship Manager

By: *(signed) "Jason Stegu"*

Name: Jason Stegu

Title: Senior Relationship Manager