

AMENDING AGREEMENT NO. 3 AND WAIVER

THIS AMENDING AGREEMENT NO. 3 AND WAIVER (this "**Agreement**") is dated as of this 16th day of September, 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 Amending Agreement No. 1 to the Credit Agreement dated as of March 6, 2019 and as further amended by Amending Agreement No. 2 to the Credit Agreement dated May 31, 2019 (collectively, the "**Credit Agreement**");

AND WHEREAS if the Borrower or any Obligor issues new equity securities, section 2.12(b)(iv) of the Credit Agreement requires the Borrower to notify the Administrative Agent of the estimated Net Cash Proceeds of such issuance to be received for the account of the Borrower or such other Obligor in respect thereof, and promptly upon receipt by the Borrower or such other Obligor of Net Cash Proceeds of such issuance, the Borrower shall prepay the Obligations in an aggregate amount equal to 100% of the amount of all such Net Cash Proceeds (the "**Equity Issuances Requirement**");

AND WHEREAS the Borrower has notified the Administrative Agent that it intends to issue new equity securities pursuant to a private placement with multiple closings commencing on or about September 17, 2019 and ending on or prior to October 21, 2019 of up to 2,750,000 units (common shares and warrants) at a price of \$2.00 per unit for aggregate gross proceeds of up to \$5,500,000, which funds shall be used for the purposes set out herein (collectively, the "**Private Placement**") and has requested that the Administrative Agent and each of the Lenders waive the Equity Issuances Requirement in respect of the Private Placement;

AND WHEREAS the Administrative Agent and each of the Lenders have agreed to waive the Equity Issuances Requirement in respect of the Private Placement only as specifically set out in this Agreement;

AND WHEREAS (a) Section 8.4(a) of the Credit Agreement requires that, as of the last day of each 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 (the "**FCCR Covenant**"), (b) Section 8.4(b) of the Credit Agreement requires that, as of the last day of each 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 not greater than 2.75 to 1.00 (the "**Funded Debt Covenant**") and (c) Section 8.4(c) of the Credit Agreement requires that, as of the last day of each Fiscal Quarter, the Borrower shall maintain the Current 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 (the "**Current Ratio Covenant**") and collectively with the FCCR Covenant and the Funded Debt Covenant, the "**Financial Covenants**");

AND WHEREAS the Borrower has notified the Administrative Agent that it has not complied with the FCCR Covenant and the Funded Debt Covenant for its Fiscal Quarter ending June 30, 2019 (the "**Financial Covenant Defaults**");

AND WHEREAS the Administrative Agent and each of the Lenders have agreed to waive the Financial Covenant Defaults and amend the Financial Covenants as specifically set out in this 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.

Apart from the waiver set out in Section 8, 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, after giving effect to the waiver in Section 8;
- (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 an amendment fee of [redacted for confidentiality reasons] to the Administrative Agent for the account of each Lender who executes this Agreement; and
- (c) the Administrative Agent shall have received all such other certificates, documents, opinions, and information that they reasonably request.

8. Waiver

- (a) At the Borrower's request, the Administrative Agent, having the consent of the Lenders, hereby waives, on its own behalf and on behalf of each of the Lenders, the Equity Issuances Requirement in respect of the Private Placement only. The Administrative Agent, on its own behalf and on behalf of the Lenders, acknowledges and agrees that the Borrower shall be entitled to use the Net Cash Proceeds of the Private Placement for (i) general working capital purposes, (ii) to

expand its international distribution channels, and (iii) to develop and commercialize new products (collectively, the **"Use of Proceeds"**). Each of the Borrower and the Obligors acknowledges and agrees that the foregoing waiver is expressly limited to the Equity Issuances Requirement in respect of the Private Placement. The foregoing waiver shall not obligate or be construed to require the Administrative Agent or any Lender to grant any other consents, modifications, or waivers to Section 2.12(b)(iv) of the Credit Agreement, any other provision of the Credit Agreement or any other Loan Document.

- (b) At the Borrower's request, the Administrative Agent, having the consent of the Lenders, hereby waives, on its own behalf and on behalf of each of the Lenders, the Financial Covenant Defaults. Each of the Borrower and the Obligors acknowledges and agrees that the foregoing waiver is expressly limited to the Financial Covenant Defaults and solely for the Borrower's Fiscal Quarter ending June 30, 2019. The foregoing waiver shall not obligate or be construed to require the Administrative Agent or any Lender to grant any other consents, modifications, or waivers to Section 8.4(a) or Section 8.4(b) of the Credit Agreement, any other provision of the Credit Agreement or any other Loan Document.

9. 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 "Current Ratio" in Section 1.1 of the Credit Agreement is hereby amended by inserting the phrase "(including the VTB Loan)" after the phrase "the Borrower's Consolidated indebtedness".
- (b) The definition of "EBITDA" in Section 1.1 of the Credit Agreement is hereby amended by inserting the following phrase following clause (vii) thereof:

"and (viii) the net proceeds received by the Borrower from (a) its issuance of new equity securities pursuant to a private placement with multiple closings commencing on or about September 17, 2019 and ending on or prior to October 21, 2019 of up to 2,750,000 units (common shares and warrants) at a price of \$2.00 per unit, up to the maximum aggregate amount of \$5,500,000 and (b) warrants exercised during the Borrower's Fiscal Quarter ending September 30, 2019, up to the maximum aggregate amount of \$1,819,417, in each case, for the Fiscal Quarter ended September 30, 2019,".

- (c) The definition of "Fixed Charge Coverage Ratio" in Section 1.1 of the Credit Agreement is hereby deleted in its entirety and replaced with the following definition:

"Fixed Charge Coverage Ratio" means, in respect of any Fiscal Quarter, on a Consolidated basis in respect of the Borrower, the ratio of (a) EBITDA in the fiscal period comprised of such Fiscal Quarter and the immediately preceding three (3) Fiscal Quarters, less Cash Taxes, less Unfunded Capital Expenditures, less cash Distributions and less any cash payments on the VTB Loan not financed by the Obligations (for certainty, including cash payments to be made in October 2019), in each case, for such period, to (b) the sum of all scheduled principal payments on Indebtedness including Capital Leases plus Cash Interest Expense, in each case, in respect of the fiscal period comprised of such Fiscal Quarter and the immediately preceding three (3) Fiscal Quarters; provided that (x) principal and interest cash payments on the VTB Loan shall only be included

in clause (b) above when paid and when financed by the Obligations and (y) for the first year after the date of this Agreement, scheduled principal payments and Cash Interest Expense in respect of the Obligations will be annualized."

- (d) Section 2.1(b) of the Credit Agreement is hereby amended by inserting the phrase "and for certainty, may not be used to fund payments on the VTB Loan or Acquisitions" at the end of such Section following the phrase "working capital requirements".
- (e) Section 7.3(a) of the Credit Agreement is hereby deleted in its entirety and replaced with Section 7.3(a) below:
 - "(a) in respect of an advance under the Acquisition Credit Facility only, the Borrower has obtained the written consent of the Required Lenders to such advance;"
- (f) Section 7.3(b) of the Credit Agreement is hereby deleted in its entirety and replaced with Section 7.3(b) below:
 - "(b) [intentionally deleted];"
- (g) Section 8.2(g) of the Credit Agreement is hereby amended by deleting this subsection in its entirety and replacing it as follows:
 - "(g) *Distributions*: The Borrower shall not, nor shall it permit any other Obligor to, make, declare or pay any Distribution; *provided, however*, that if the Borrower is in compliance with each of the Financial Covenants, the foregoing shall not operate to prevent the making of Distributions by any Obligor to another Obligor."
- (h) Section 8.3(c) of the Credit Agreement is hereby amended by inserting the clause ", together with a Compliance Certificate" following the phrase "cash flows of the Borrower for such Fiscal Year".
- (i) Section 8.3 of the Credit Agreement is hereby amended by (x) replacing the "." at the end of paragraph (i) thereof with "; and" and (y) inserting the following new paragraph (j):
 - (j) as soon as available, and in any event no later than 30 days after the last day of each month (except that the Borrower shall have 60 days following September 30, being the end of its Fiscal Year), a copy of the unaudited, company prepared Consolidated financial statements of the Borrower for such month and for the Fiscal Year to date period then ended, each in reasonable detail showing in comparative form the figures for the corresponding date and periods in the previous Fiscal Year."
- (j) Section 8.4(a) of the Credit Agreement is hereby amended by deleting this subsection in its entirety and replacing it as follows:
 - "(a) *Fixed Charge Coverage Ratio*. As of (i) the last day of the Fiscal Quarter ended September 30, 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 1.00 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."

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

"(b) *Senior Funded Debt to EBITDA Ratio.* As of (i) the last day of the Fiscal Quarter ended September 30, 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 3.50 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."

10. **Covenant.**

The Borrower hereby confirms, covenants and agrees that, (a) on or before September 30, 2019, it shall close the Private Placement (or a portion thereof) and receive aggregate gross proceeds therefrom of no less than \$4,500,000 and (b) on or before October 21, 2019, it shall receive aggregate gross proceeds from the Private Placement of no less than \$5,350,000 (inclusive of the amounts received prior to September 30, 2019). The Borrower acknowledges and agrees that any failure to comply with this Section shall constitute an Event of Default under the Credit Agreement.

11. **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.

12. **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.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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 Fernandes"

Name: Jason Fernandes

Title: Senior Director & Team Lead

HSBC BANK CANADA, as a Lender

By: (signed) "Maximilian Smith"

Name: Maximilian Smith

Title: Senior Relationship Manager

By: (signed) "Jason Fernandes"

Name: Jason Fernandes

Title: Senior Director & Team Lead