

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

AeroFarms, Inc, *et al.*¹

Debtors.

Chapter 11

Case No. 23-10737

(Joint Administration Requested)

**DECLARATION OF GUY BLANCHARD
IN SUPPORT OF CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS**

Pursuant to 28 U.S.C. § 1746, I, Guy Blanchard, do hereby declare, under penalty of perjury, the following to the best of my information, knowledge, and belief:

1. I am the President and Chief Financial Officer of AeroFarms, Inc., a Delaware Certified B Corporation, and its debtor affiliates (each, a “Debtor” and, collectively, the “Debtors,” “AeroFarms,” or the “Company”). I have served as Chief Financial Officer since 2016 and as President since June 2023. I am over the age of 18 and authorized to submit this declaration (this “Declaration”) on behalf of the Debtors in the above-captioned chapter 11 cases (the “Chapter 11 Cases”). If called as a witness, I would testify competently to the facts set forth in this Declaration.

2. I hold an M.B.A. and a B.S. in Agricultural and Managerial Economics from the University of California, Davis. Prior to my current roles, I served as Vice President, Corporate Development of AeroFarms. In 2016, I became Chief Financial Officer, and was recently appointed as President to work with the Company’s Special Board Committee on these restructuring efforts. In addition, I served at various intervals as Secretary and Acting Chief

¹ The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor’s federal tax identification number, if applicable, are as follows: AeroFarms, Inc (7162); Just Greens, LLC (7360); AeroFarms 8, LLC (6310); AeroFarms Ferry, LLC (7868); AeroFarms LLC (4512); AeroFarms International Holdings, LLC (9457); AeroFarms Danville, LLC (7947); AeroFarms Danville Real Estate, LLC (7757); AeroFarms Danville Leasing, LLC (6827); VEGS1 QALICB, LLC (0354); VEGS1 Leveraged Lender, LLC (0268); Oasis Development, LLC (1849); Pentos, LLC (5684); VEGS2 QALICB, LLC (8859); 212 Rome Fund Manager LLC (5237). The Debtors’ headquarters and the mailing address for the Debtors is 212 Rome Street, Newark, NJ 07105.

Operating Officer of AeroFarms. Prior to my roles at AeroFarms, I previously worked as a Senior Vice President at Amonix, Inc., as a Managing Director at Fortress Investment Group's Drawbridge Funds, and as Vice President of GATX Capital Corporation.

3. On the date hereof (the "Petition Date"), the Debtors each filed a voluntary petition (the "Petition") for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). I submit this declaration (the "Declaration") to provide an overview of the Debtors' business, the Company's organizational and capital structure and the Debtors' restructuring initiatives in order to assist the Bankruptcy Court and other parties in interest in understanding the circumstances and events that led to the commencement of these Chapter 11 Cases and in support of the Petitions and the Debtors' applications and motions for relief filed contemporaneously with the Petition, each of which is discussed below (collectively, the "First Day Motions").

4. As President and Chief Financial Officer, I have been actively involved in preparing the Debtors' chapter 11 filings, developing the Debtors' business plans, and providing diligence to and negotiating with certain of the Debtors' key constituencies. I have also been actively involved in the prepetition efforts to raise debt or equity capital. I am generally familiar with the Debtors' day-to-day operations, financial affairs, and books and records.

5. Except as otherwise stated, all facts set forth in this Declaration are based on my personal knowledge, my discussions with those reporting directly to me and the Debtors' advisors, my review of relevant documents, or my opinion, based on my experience and knowledge of the Debtors' operations and financial condition. In making this Declaration, I have relied in part on information and materials that the Debtors' personnel, agents, and advisors have gathered,

prepared, verified, and provided to me, in each case, under my supervision, at my direction, and for my use in preparing this Declaration.

INTRODUCTION

6. AeroFarms files these Chapter 11 Cases intending to emerge from chapter 11 in a stronger position to continue its indoor vertical farming business. While projections show the creation of a profitable business, the Company's business is capital intensive at this stage, and attempts to raise sufficient capital to maintain operations have fallen short. Through these bankruptcy proceedings, the Company expects to address its liquidity constraints, address certain legacy liabilities and quickly emerge from bankruptcy either through a chapter 11 plan of reorganization or sale under section 363. The Company expects to file its plan for emergence from bankruptcy or a bidding procedures motion in the coming days.

7. To familiarize the Bankruptcy Court with the Debtors and the relief that the Debtors seek in these Chapter 11 Cases, this Declaration is organized into four parts. **Part I** introduces the Debtors, their corporate history and business operations. **Part II** describes the claims against the Debtors and their assets. **Part III** describes the events that led to the commencement of this chapter 11 case, including the Debtors' prepetition financing efforts. **Part IV** provides an overview of the relief requested in the First Day Motions, which I have reviewed and with which I am familiar.

I. AEROFARMS' HISTORY AND BUSINESS OPERATIONS

A. Overview of Operations

8. AeroFarms is a pioneer in large-scale commercial indoor vertical farming, using proprietary aeroponic technology to grow differentiated leafy greens products while using up to 95% less water and zero pesticides. AeroFarms products are consistently celebrated by top chefs and tastemakers for their quality, taste and texture.

9. AeroFarms operates two commercial farms, which are located in Danville, Virginia and Newark, New Jersey, where they also have their Company headquarters. The Company's commercial farm in Danville, Virginia opened in Q3 2022 and is a state-of-the-art facility that is in the final stages of commissioning and is expected to be profitable by fall of 2023. As has been previously publicly announced, commercial production at the Newark, New Jersey farm will transition to the Danville, Virginia farm over the coming months.

10. AeroFarms is transforming agriculture by designing and building innovative vertical farms to deliver great-tasting produce at commercial scale. The Company's farms utilize their proprietary data-driven technology platform that allows for precise calibration and integration across all disciplines of fully-controlled environment agriculture ("CEA"), including plant biology, mechanical design, environmental control, operations, data analytics and plant genetics. The Company believes this allows them to be better farmers, while continually optimizing their farms, reducing costs, improving quality, and enabling local production at scale. Additionally, because their produce is grown indoors in a fully-controlled environment, AeroFarms can grow plants year-round without sun, soil or restrictions due to variations in climate or seasonal changes.

11. AeroFarms sees significant benefits in using aeroponics in the category of leafy greens. AeroFarms uses its commercial technology platform primarily to grow leafy greens, which are available throughout the United States. AeroFarms intentionally sells its products through a diverse customer base across geographies: supermarkets (HEB and Stop & Shop), natural stores (Whole Foods Market and The Fresh Market), mass merchandisers (Walmart), ecommerce (FreshDirect and Amazon Fresh), and food service distributor (Baldor Specialty Foods).

12. The first commercial application of AeroFarms' technology platform is in leafy greens. Because AeroFarms grows leafy greens in the Company's unique growing systems, they

have a very short grow cycle—baby leafy greens are grown in 14-day crop cycles, allowing for 26 crop turns a year, compared to approximately one to three crop turns in a conventional field farm or often 12 turns for a high-tech greenhouse. Each grow cycle is a new opportunity to collect data and apply learnings to continuously improve plant quality and yield, introduce additional varieties, and create cost improvements over time.

13. Today, AeroFarms’ product offering includes a suite of leafy greens products, including baby leafy greens and microgreens. AeroFarms’ products are sold at a competitive price point at retail and food service, where they primarily compete against organic and field-grown alternatives. AeroFarms believes they have a competitive position in the industry because of the quality, taste, and texture of their products that are also pesticide-free.

B. Mission-Driven

14. AeroFarms is a champion for people and the planet, driven by their mission to grow the best plants possible for the betterment of humanity. As a Certified B Corporation, AeroFarms strives to use its agriculture business as a force for good and maintain a strong commitment to communities and the environment.

C. Strategic Plan

15. In the future, AeroFarms expects to continue to develop and commercialize new varieties of leafy greens as a source of revenue growth. As AeroFarms continues to explore new leafy greens categories, the Company leverages key strategic partnerships with industry leading companies, nonprofits, universities and government agencies. The aim of these partnerships is to accelerate the Company’s innovation by utilizing complementary advantages and expertise that the partners bring, and by targeting specific problems or supply chain dislocations the partner faces for which they believe their technology platform may provide solutions. As an example,

AeroFarms is a founding member of the PIP Consortium and Principal Investigator for the Consortium's first and largest project in lettuce.

II. PREPETITION CORPORATE AND CAPITAL STRUCTURE

A. Corporate Structure

16. AeroFarms was founded in 2004 as GreatVeggies, LLC and later became Aero Farm Systems LLC. Aero Farm Systems LLC became Just Greens, LLC (d/b/a AeroFarms), a Delaware limited liability company, in 2011. In 2017, Just Greens, LLC became a subsidiary of Dream Holdings, Inc., a Delaware corporation, through a merger. Dream Holdings, Inc. changed its name to AeroFarms, Inc. in 2022. Since 2017, AeroFarms has been a Certified B Corporation and a public benefit corporation.

17. AeroFarms, Inc. is a certified Delaware B Corporation. It is the ultimate parent of the Debtors as well as various non-debtor subsidiaries. An organizational chart reflecting the Company's corporate structure is annexed to this Declaration as Exhibit A.

B. Capital Structure

18. The following table provides a summary of the Debtors' prepetition funded debt obligations under the currently outstanding, prepetition credit facilities:

Debt Instrument	Lender(s)	Non-Default Rate	Collateral	Approximate Aggregate Principal Outstanding (inclusive of accrued and unpaid interest)
Venture Loan Facility	Horizon Technology Finance Corporation, Powerscourt Investments XXV, LP	Prime + 6.75%	All assets - Prepetition Collateral	\$15,003,000.00
DVC Notes	Doha Venture Capital	8.00%	Subordinated, Unsecured	\$20,096,000.00
2022 Notes	2022 Note Purchasers	6.00%	Subordinated, Unsecured	\$32,015,000.00

Bird Loan	Bird Foundation	N/A	Unsecured	\$359,989.00
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19. Venture Loan Agreement. AeroFarms, Inc.² and certain other debtors (the “Venture Loan Debtor Parties”) have outstanding first lien secured debt obligations (the “Venture Loan Facility”) under that certain Venture Loan and Security Agreement dated as of March 22, 2022 (as amended, supplemented, amended and restated or modified from time to time, the “Venture Loan Agreement” and the claims thereunder or related thereto, the “Venture Loan Claims”), among the Venture Loan Debtor Parties party thereto, as co-borrowers, Horizon Technology Finance Corporation (“Horizon”), as lender and collateral agent, and Powerscourt Investments XXV, LP (“Powerscourt”). As of the Petition Date, the aggregate principal amount plus accrued and unpaid interest outstanding under the Venture Loan Agreement is approximately \$15.03 million. The Venture Loan Debtor Parties’ obligations under the Venture Loan Agreement (the “Venture Loan Obligations”) are secured by a first lien on all assets owned by the Venture Loan Debtor Parties, as described in the Venture Loan Agreement (the “Prepetition Collateral”).

20. DVC Convertible Notes. AeroFarms, Inc. has senior unsecured debt obligations arising under that certain Note and Warrant Purchase Agreement (as amended, supplemented, amended and restated or modified from time to time, the “DVC Note Purchase Agreement”), dated as of October 27, 2022, by and among AeroFarms, Inc. and Doha Venture Capital (“DVC”). As of the Petition Date, the aggregate principal amount plus accrued and unpaid interest outstanding under the notes (the “DVC Notes”) is approximately \$20.96 million. The DVC Notes are unsecured. Additionally, pursuant to the DVC Note Purchase Agreement, AeroFarms, Inc. issued

² Dream Holdings, Inc., identified as a borrower under the Debtors’ prepetition debt agreements, changed its name to “AeroFarms, Inc.” effective on November 30, 2022.

to DVC a warrant to purchase up to 7,943,443 shares of Series 2 Preferred Stock, in accordance with its terms.

21. 2022 Convertible Notes. In addition to the DVC Notes, AeroFarms, Inc. has subordinated unsecured debt obligations arising under that certain Note Purchase Agreement (as amended, supplemented, amended and restated or modified from time to time, the “2022 Note Purchase Agreement”), dated as of February 15, 2022, by and among AeroFarms, Inc. and purchasers of notes (the “2022 Notes”) under the 2022 Note Purchase Agreement (the “2022 Noteholders” and, together with DVC, the “Noteholders”). As of the Petition Date, the aggregate principal amount outstanding (inclusive of interest) of the 2022 Notes is approximately \$32.15 million. The 2022 Notes are unsecured and are subordinated to the DVC Notes in accordance with a subordination agreement as to which section 510(a) of the Bankruptcy Code is applicable. The 2022 Notes are eligible to be converted to certain preferred stock in accordance with their terms.

22. 2021 Convertible Notes. AeroFarms, Inc. was also party to that certain Note Purchase Agreement (as amended, supplemented, amended and restated or modified from time to time, the “2021 Note Purchase Agreement”), dated as of February 22, 2021, by and among AeroFarms, Inc. and the purchasers party thereto. Pursuant to the 2021 Note Purchase Agreement, AeroFarms, Inc. issued two convertible notes (the “2021 Notes”) with an aggregate principal amount of \$30 million. The 2021 Notes were converted to Series 2 Preferred Stock on or about August 31, 2022 in accordance with their terms. AeroFarms, Inc. no longer has a debt obligation under the 2021 Notes. Certain holders of 2021 Notes have commenced litigation regarding their conversion to equity.

23. Bird Loan. AeroFarms, Inc. is party to a trilateral agreement dated May 6, 2019 (the “Bird Loan”) with Binational Industrial Research and Development Foundation (the “Bird

Foundation”) and Juganu Ltd in which the Bird Foundation promised to provide a conditional grant of up to \$850,000.00 to AeroFarms, Inc. and Juganu Ltd, each receiving up to \$450,000.00, to fund research for the development of LED lights to be used in certain horticulture processes. The Bird Loan is required to be repaid only when the product is commercially sold or exploited. The repayments of the conditional grant loan will either be funded through 50% of royalty earned at the rate of 10% on sales of the proposed product by Juganu Ltd or 50% of AeroFarms Inc.’ share of the intellectual property sales or a combination of both. AeroFarms, Inc. expects the conditional grant loan repayments to commence no earlier than 2024. To date, AeroFarms, Inc. has been granted \$353,989.00 under the Bird Loan.

24. NMTC Program. The Company has entered into several financing arrangements with investment funds owned by Goldman Sachs to obtain certain advantages and enhancements from the qualified New Markets Tax Credit (“NMTC”) program adopted under the Community Renewal Tax Relief Act of 2000 (the “Act”). The NMTC program is intended to induce capital investment in qualified lower income communities. The Act permits taxpayers to claim credits against their U.S. Federal income taxes for up to 39% of qualified investments in the equity of community development entities. Goldman Sachs as lender is entitled to substantially all the tax benefits derived from the NMTC and the funds are subsequently loaned to the Company and used to finance the purchase of equipment and real estate.

25. During 2015 and 2018, the Company entered into a total of three financing transactions with investment funds owned by Goldman Sachs under the NMTC program. The NMTC program was provided for in the Community Renewal Tax Relief Act of 2000 (the “Act”) and is intended to induce capital investment in qualified lower income communities. The Act permits taxpayers to claim credits against their Federal income taxes for up to 39% of qualified

investments in the equity of community development entities (“CDEs”). CDEs are privately managed investment institutions/funds that are certified to make qualified low-income community investments. The Company is involved in variable interest entities in the form of investment funds that invest in New Markets Tax Credits. Although the Company has involvement in the NMTC funds through notes receivable from and notes payable to the funds, option agreements and management agreements with the funds, the Company is not the primary beneficiary of and does not consolidate the NMTC funds. The Company has neither the power to direct the most significant activities of the NMTC funds nor does it have the obligation to absorb losses or the right to residual returns that could potentially be significant to the NMTC funds. The most significant activities of the NMTC funds are the decision to invest in the NMTCs, which the Company does not have the power to direct. The Company also has a variable interest represented by its management of the NMTC funds for no fees.

26. Stock, Preferred Stock, and Warrants. AeroFarms, Inc. has issued six tranches of preferred stock, common stock, and a variety of warrants. As of March 31, 2023, the following shares remain outstanding:

Preferred						
Series 1-A Shares	Series 1-B Shares	Series 1-C Shares	Series 1-D Shares	Series 2 Shares	Series 3-A Shares	Common Shares
651,011	1,723,272	11,288,258	14,204,096	26,197,283	11,789,917	36,075,875

27. Intercompany Payments. The Company regularly makes intercompany payments as part of its standard operations. The operations of each farm are managed by a group of AeroFarms subsidiaries, certain of which are responsible for equipment leases while others are obligated under the applicable real estate lease. From time to time Debtor Just Greens, LLC makes payments to its Abu Dhabi-based subsidiary AeroFarms AgX Ltd., which manages the Company’s research and development farm in Abu Dhabi, and which is funded primarily through grants from

the UAE government. The Company expects the UAE government to continue to remit grant payments which largely cover the ongoing operations; however, the Company requests authorization to fund payroll and other certain operational expenses of AeroFarms AgX Ltd. as may be necessary postpetition to preserve the Company's investment in research and development.

III. EVENTS LEADING TO THE CHAPTER 11 CASES & CHAPTER 11 GOALS

28. AeroFarms is an early-stage company with significant IP and a growing business. Despite the Company's successes, the controlled environment agriculture business is capital intensive. AeroFarms must expend significant resources to complete the buildout of its facilities, scale its production capacity, and invest in its technology platform, capabilities, and new products. These expenditures include costs of constructing and commissioning new farms, costs associated with growing plants for sale, such as electricity and packaging, working capital, cost of attracting and retaining a skilled local labor force, and costs associated with research and development in support of future commercial opportunities.

29. The Company's strategy to develop new commercial farms has required and will continue to require substantial time and resources. AeroFarms expects to make significant investments to identify attractive markets, select and control sites, perform engineering design and local permitting, construct and commission new farms, among other activities. These facilities require sizeable, useable space for agricultural production, including site-specific requirements such as sufficient access to, reliability of, and cost of utilities and other infrastructure; the ability to obtain the appropriate permits and approvals; adequate local labor availability; road access for input supply and distribution of output for sale; among other requirements. AeroFarms' new state-of-the-art farm in Danville, Virginia, has required significant capital outlay, which has further

depleted the Company's available liquidity. The Company is currently ramping up operations at Danville that is expected to be profitable by fall of 2023.

30. In 2021, the Company sought to raise capital through a de-SPAC transaction with Spring Valley Acquisition Corp. Due to challenges in the capital markets, the de-SPAC transaction was unsuccessful. Since then, the Company has sought to raise additional funding through various capital raises, including the 2022 Notes and DVC Note. Most recently, on December 6, 2022, and January 6, 2023, the Company closed on two rounds of Series 3-A preferred equity financing which raised approximately \$21,000,000. While the Company recognized the need for, and sought to obtain, additional financing, these efforts were unsuccessful. Owing to the capital-intensive requirements of the Company, the Company was unable to meet its required capital needs.

31. The Board of Directors (the "Board") of AeroFarms has continued to diligently pursue a series of discussions with new investors with regard to the making of an investment in the Company, however, those discussions have been more protracted than hoped for, with the Company facing imminent illiquidity without the injection of new cash.

32. With no meaningful chance of raising third-party financing on a timeline that provided adequate liquidity to fund the Company's operations, the Board turned to the Company's existing debt holders and stockholders to provide sufficient financing to fund these Chapter 11 Cases and post-restructuring operational expenses. To facilitate these negotiations, on May 31, 2023, the Board appointed a special committee of two existing Board members (the "Special Committee").

33. Furthermore, as a result of the need to implement cost-savings measures to streamline post-restructuring operational expenses, the Company intends to implement a reduction

in force at its Newark, New Jersey location within the first 30 days of these Chapter 11 Cases. This will allow the Company to focus its go-forward operations at its new state-of-the-art farm in Danville, Virginia.

34. Following negotiations between the Special Committee and the DIP Lenders, the Company entered into that certain DIP Term Sheet providing an initial DIP Commitment of \$10,000,000 (the “DIP Facility”). In order to facilitate the DIP financing, the Debtors’ secured lender, Horizon, has agreed to allow the DIP Facility to come in on a *pari passu* basis. I understand that the DIP Facility will initially provide the Debtors with sufficient liquidity to continue operating their business in the ordinary course while pursuing a restructuring or sale, for the ultimate benefit of their creditors and other stakeholders. There is a recognition that due to the Company’s capital needs, additional postpetition financing may be required. Based upon discussions with the DIP Lenders, I expect that they will be willing to provide additional DIP financing if required. The DIP Facility is absolutely critical to the Company’s ability to continue operations during these Chapter 11 Cases, as without additional liquidity the Company will be forced to shutter operations and liquidate.

35. In addition, in conjunction with the Debtors’ advisors, the Special Committee continues to negotiate with the DIP Lenders regarding terms of either the financing necessary to confirm a plan of reorganization or sale of the Debtors’ assets as a going concern sale. The Debtors’ investment banker will also be exploring whether there are higher and otherwise better options for the Company. In order to quickly emerge from bankruptcy and retain its market position, the Company expects to file a chapter 11 plan of reorganization or bidding procedures motion with this Court in the coming days and expects to be able to confirm a chapter 11 plan of reorganization or close a sale of substantially all assets within the next few months.

IV. SUMMARY OF RELIEF SOUGHT IN THE FIRST DAY MOTIONS³

36. Contemporaneously herewith, the Debtors have filed a number of First Day Motions⁴ in these Chapter 11 Cases seeking orders granting various forms of relief intended to stabilize the Debtors' business operations and facilitate the efficient administration of these Chapter 11 Cases. I believe that the relief requested in the First Day Motions is necessary to avoid immediate and irreparable harm and allow the Debtors to operate with minimal disruption during the pendency of these Chapter 11 Cases. A description of the relief requested in and the facts supporting each of the First Day Motions is set forth below.

A. Joint Administration Motion

37. Through the Joint Administration Motion, the Debtors seek entry of an order directing the joint administration of these Chapter 11 Cases for procedural purposes only. I anticipate that many of the notices, motions, other pleadings, and orders in these Chapter 11 Cases will affect more than one Debtor. In addition, the Debtors share many of the same creditors. Therefore, I believe that joint administration will (i) save time and expenses for the Court and for the Debtors' estates, and (ii) avoid duplicative and potentially confusing filings by permitting counsel for all parties in interest to file all notices and pleadings on a single case docket, under a single caption. I understand that joint administration will also protect all parties in interest by ensuring that creditors in each of the Debtors' respective bankruptcy cases will be informed of the various matters before the Court in these Chapter 11 Cases.

38. I have been advised that the rights of the Debtors' respective creditors and stakeholders will not be adversely affected by the joint administration of these Chapter 11 Cases

³ Capitalized terms in this Part IV that are used but not defined in this Declaration have the meanings set forth in the applicable First Day Motion, and each such First Day Motion is incorporated into this Declaration by reference.

inasmuch as the relief sought is purely procedural and in no way intended to affect substantive rights or permit substantive consolidation of the separate Debtors' estates.

39. I believe that the relief requested in the Joint Administration Motion is in the best interest of the Debtors' estate, creditors, and all other parties in interest. Accordingly, on behalf of the Debtors, I respectfully submit that the Joint Administration Motion should be granted.

B. Motion to Redact PII and Limit Equity Holder Disclosure

40. Through the PII Motion, the Debtors seek authority to (i) redact certain personally identifiable information of current and former employees and equity holders of the Debtors and (ii) limit disclosure to parties holding 5% or more of the Debtors' equity.

41. Specifically, the Debtors seek authority to redact the personal information, including home addresses, of the Debtors' current and former employees, as well as individual equity holders, to avoid exposing these individuals to potential identity theft or jeopardizing their safety by publishing their home addresses.

42. Redaction of personally identifiable information is appropriate under section 107(c)(1) of the Bankruptcy Code because such information can be used to perpetrate identity theft or locate survivors of domestic violence, harassment, stalking, or phishing scams. Additionally, I believe that redacting the Debtors' current and former employees' and equity holders' home addresses from the Debtors' Creditor Matrix and Schedules and Statements is prudent under the circumstances and will protect the Debtors' current and former employees and equity holders from unnecessary disclosure of personally identifiable information. Accordingly, on behalf of the Debtors, I respectfully submit that the PII Motion should be granted.

C. Omni Retention Application

43. Through the Omni Application, the Debtors seek the appointment of Omni Agent Solutions ("Omni") as claims, noticing, balloting, and solicitation agent for these Chapter 11 Cases

in accordance with the Engagement Agreement, effective as of the Petition Date. In that role, Omni would assume full responsibility for, among other tasks, the distribution of statutory notices to creditors and other parties in interest and the maintenance, processing, and docketing of proofs of claim filed in these Chapter 11 Cases. Given the complexity of these Chapter 11 Cases and the number of creditors and other parties in interest involved, I believe that the appointment of Omni will maximize the value of the Debtors' estates for all of their stakeholders and will help facilitate the efficient administration of these Chapter 11 Cases while alleviating these burdens for the Clerk of the Court. Accordingly, on behalf of the Debtors, I respectfully submit that the Application should be approved.

D. Cash Management Motion

44. Through the Cash Management Motion, the Debtors seek entry of an order (i) authorizing the Debtors to maintain their current Cash Management System, existing bank accounts and business forms, including authorizing the Debtors to open and close bank accounts in the ordinary course of business, (ii) modifying certain requirements of section 345(b) of the Bankruptcy Code, (iii) authorizing all banks participating in the Case Management System to honor certain transfers and charge bank fees and certain other amounts, and (iv) permitting continued intercompany funding and granting administrative expense priority status to postpetition intercompany claims held by a Debtor against one or more of the other Debtors, and (v) scheduling a final hearing.

45. The Debtors currently maintain 21 bank accounts, which are held at Capital One, Provident Funding, Chase Bank, and J.P. Morgan. (collectively, the "Banks"). In the ordinary course of business, the Debtors employ the Cash Management System to collect, transfer, and disburse funds generated by their operations through the Banks. The Debtors also maintain two credit cards used to pay expenses that arise in the ordinary course, including office supplies,

equipment, gasoline charges, among others. Further, and in the ordinary course of business, the Debtors' main operating account transfers funds on behalf of certain of the Debtors on account of invoices due and payable for various operating expenses and obligations arising from customer contracts. Through their Cash Management Motion, the Debtors seek authority to continue intercompany transfers among the Debtors.

46. I believe that the continuation of the Debtors' Cash Management System is essential to the Debtors' businesses, and the Debtors' operations would be hampered significantly if they were forced to discontinue using their existing Cash Management System, causing confusion to the Debtors' vendors, customers, and employees, among others. I believe that the relief requested in the Cash Management Motion is in the best interests of the Debtors' estates, their creditors and all other parties in interest, and will enable the Debtors to continue to operate their businesses in chapter 11. Accordingly, on behalf of the Debtors, I respectfully submit that the Cash Management Motion should be granted.

E. Utilities Motion

47. Through the Utilities Motion, the Debtors seek entry of interim and final orders (i) approving the Debtors' proposed form of adequate assurance of payment to the Utility Companies, (ii) establishing procedures for resolving objections by the Utility Companies, and (iii) prohibiting the Utility Companies from altering, refusing, or discontinuing service to, or discriminating against, the Debtors solely on the basis of the commencement of these Chapter 11 Cases, that a debt is owed by the Debtors for prepetition Utility Services, or on account of any perceived inadequacy of the Debtors' Proposed Adequate Assurance.

48. In the ordinary course of the operation of their businesses, the Debtors use various utility services, including electricity, natural gas, water, trash collection, internet access,

telecommunication, and/or other services. Prior to the Petition Date, the Debtors spent an average of approximately \$226,100 each month on account of Utility Services.

49. The Debtors propose to establish a segregated account into which the Debtors will deposit a sum equal to approximately two weeks of the Debtors' estimated aggregate utility expenses and, additionally, have proposed standard procedures to address any request made by the Utility Companies for additional adequate assurance.

50. Preserving Utility Services on an uninterrupted basis is essential to the Debtors' ongoing operations and, therefore, to the success of these Chapter 11 Cases. Any interruption in Utility Services, even for a brief period of time, would disrupt the Debtors' ability to operate their businesses in the ordinary course and could jeopardize Debtors' restructuring. It is critical, therefore, that Utility Services continue uninterrupted during these Chapter 11 Cases. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Utilities Motion should be granted.

F. Wage Motion

51. Through the Employee Wage Motion, the Debtors seek authorization (i) to pay prepetition wages and other compensation, taxes and withholdings, and reimbursable employee expenses, (ii) to honor and continue benefit programs for employees, and (iii) for the Debtors' cash management banks and financial institutions at which the Debtors maintain disbursement and other accounts to receive, process, honor and pay all checks issued and electronic payment requests made related to such employee obligations.

52. The Debtors' workforce is composed of approximately 376 full-time employees (the "Employees"). Of these Employees, 183 are either full or part-time hourly Employees, 53 are temporary Employees, and the remaining approximately 140 are full time, salaried Employees.

53. As of the Petition Date, the Debtors believe that they owe \$318,000 to the Salaried Employees and \$86,000 to the Hourly Employees in accrued and unpaid compensation. The most recent, regularly scheduled payroll cycle prior to the Petition Date for the Salaried Employees ended on May 31, 2023, which covered the period from May 16, 2023 through May 31, 2023. The most recent payroll cycle prior to the Petition Date for the Hourly Employees ended on June 7, 2023, which covered (i) the period from May 27, 2023 through June 2, 2023 for Hourly Employees located in Danville, VA and (ii) the period from May 29, 2023 through June 4, 2023 for Hourly Employees located in Newark, New Jersey. On average, the Debtors' aggregate gross semi-monthly payroll for their Salaried Employees is approximately \$685,000 and the Debtors' aggregate gross weekly payroll for their Hourly Employees is approximately \$150,000.

54. Additionally, as of the Petition Date, the Debtors believe that they owe \$185,000 to the agencies which employ their Temporary Employees. On average, the Debtors' monthly cost to employ the Temporary Employees is \$191,000. I believe that if we do not pay the amounts due on account of Temporary Employees that they will no longer provide services to the Company, which will have a negative effect on the Company's operations.

55. The Debtors intend to implement a reduction in force which will result in approximately \$2,008,000 in severance payments becoming due and owing to Employees in respect of the New Jersey WARN Act of 2023 during the interim period.

56. The vast majority of Employees rely exclusively on their compensation and benefits to pay their daily living expenses and support their families and would be exposed to significant financial hardships were the Debtors unable or unauthorized to continue paying compensation, provide employee benefits, and maintain existing programs. The Debtors seek to minimize the

personal hardship that their workforce would suffer if the Debtors' obligations are not honored when due or as expected.

57. Additionally, a significant portion of the value of the Debtors' businesses is tied to their workforce, which cannot be replaced without significant efforts—which efforts may not be successful given the overhang of these Chapter 11 Cases. If the Debtors are not authorized to pay the Prepetition Employee Obligations, the Debtors' workforce could lose morale and Debtors' operations could be jeopardized. As a result, I believe that payment of the Prepetition Employee Obligations is a necessary and critical element of the Debtors' efforts to preserve value and will afford the Debtors the greatest likelihood of retention of their Employees as the Debtors seek to operate their businesses in these Chapter 11 Cases. Accordingly, on behalf of the Debtors, I respectfully submit that the Wages Motion should be granted.

G. Insurance Motion

58. Through the Insurance Motion, the Debtors seek authority (i) to continue their existing Insurance Program and honor their related prepetition and postpetition obligations, (ii) to renew, supplement, modify, extend, terminate, or purchase new insurance coverage in the ordinary course of business, and (iii) direction to applicable banks and financial institutions to honor and process checks and transfers related to insurance obligations.

59. The Debtors' Insurance Program is composed of Commercial Insurance Policies maintained by the Debtors that are administered through various Insurers, and which provide coverage for, among other things, directors' and officers' primary insurance, custom property, general liability, commercial automobiles, umbrella, and retail property and casualty liability. Maintenance of insurance coverage under the Insurance Program is essential to the continued operation of the Debtors' business and is required under the U.S. Trustee's Operating Guidelines,

the laws of the various states in which the Debtors operate, applicable federal law, and certain of the Debtors' customer contracts and leases.

60. As of the Petition Date, the Debtors are current on all of their Insurance Obligations. However, out of an abundance of caution, the Debtors request authority to continue to pay their Insurance Obligations in the ordinary course of business.

61. I believe that the relief requested in the Insurance Motion is in the best interests of the Debtors' estates, their creditors and all parties in interest, and is essential to achieving a smooth transition to chapter 11. Accordingly, on behalf of the Debtors, I respectfully submit that the Insurance Motion should be approved.

H. Tax Motion

62. Through the Tax Motion, the Debtors seek authority (i) to pay certain prepetition taxes and related obligations and (ii) for Debtors' banks and other financial institutions to receive, process, honor, and pay all checks issued and electronic payment requests made related to payment of Taxes.

63. In the ordinary course of business, the Debtors are subject to various taxes, regulatory fees and assessments, and related obligations that are payable directly to numerous Taxing Authorities. The Debtors seek entry of an order authorizing the Debtors to remit and pay Taxes and Fees in the ordinary course business that are payable or will become payable in the ordinary course of business, or that are payable or will become payable during these chapter 11 cases, including any obligation subsequently determined upon audit or otherwise to be owed for periods prior to including or following the Petition Date.

64. The Debtors' failure to pay the Taxes could result in unnecessary penalties and fees, as well as potential personal liability to the Debtors' directors and officers. In light of the

foregoing, on behalf of the Debtors, I respectfully submit that the relief requested in the Tax Motion should be granted.

I. Critical Vendor Motion

65. Through the Critical Vendor Motion, the Debtors seek authority to pay the prepetition claims of certain Vendors on business terms similar to those in place prior to the Petition Date. The Debtors require a steady stream of inventory and services from their supply chain Vendors and logistics Vendors to ensure the continued operation of their businesses. Without authorization to pay Vendor Claims, many of the Vendors may cease delivering goods and providing services to the Debtors. As of the Petition Date, the Debtors estimate that approximately \$1,095,000 is due and owing to the Vendors, of which \$440,000 will need to be paid within the first thirty days of these Chapter 11 Cases.

66. Certain of the Vendors are third-party Lien Claimants who, under applicable non-bankruptcy law, may have the potential to assert liens against certain of the Debtors' assets if the Debtors were to fail to pay for goods or services rendered prior to the Petition Date. The Debtors depend on the services of the Lien Claimants to ensure timely shipping and delivery of their products to their customers in the ordinary course of the Debtors' business. The Debtors estimate that, as of the Petition Date, the aggregate amount of accrued and unpaid Lien Claims is approximately \$290,000.00, which is due and owing in the first 21 days of these chapter 11 cases. I believe that if the Company is unable to pay the Lien Claims, they risk losing access to critical property, which could immediately and irreparably harm the Debtors to the detriment of all stakeholders.

67. The Debtors estimate that approximately \$205,000 of the prepetition amounts owed to Vendors would likely be entitled to an administrative claim under section 503(b)(9) of the Bankruptcy Code ("503(b)(9) Claims"). As a result, in many instances, payment of prepetition

amounts to Vendors that hold 503(b)(9) Claims will likely only impact the timing, but not the amount, of payment. The Company estimates that, as of the Petition Date, the aggregate amount of accrued and unpaid 503(b)(9) Claims is approximately \$205,000.00, which the Debtors seek authorization to pay in the final period. I believe that by altering the timing of payments that certain 503(b)(9) Vendors are entitled to receive as a matter of statute, such payments may induce the individual 503(b)(9) Vendors to adhere to more favorable trade terms and conduct business with the Debtors on a going-forward basis.

68. The Critical Vendors include certain important vendors that are small businesses whose continued operations depend on the Debtors' regular and continued payments, and without whom the Debtors could not continue operations without significant disruption. The Debtors estimate that, as of the Petition Date, the aggregate amount of accrued and unpaid Critical Vendor Claims is approximately \$600,000.00, approximately \$150,000.00 of which is due and owing in the first 21 days of these chapter 11 cases. I believe that replacing these Critical Vendors would be prohibitively expensive and timely for the Company to undertake.

69. If the Vendors are unwilling to provide such goods and services because of their outstanding prepetition claims, the Debtors' operations would suffer dramatically, complicating the Debtors' restructuring efforts and compromising the value of the Debtors' estates to the detriment of all stakeholders. The Debtors' failure to pay the Vendor Claims as set forth in the Critical Vendor Motion could harm the Debtors' ability to obtain necessary inventory or services and, therefore, increase the likelihood of significant disruptions to the Debtors' operations. This failure could jeopardize numerous customer relationships and significantly impair the value of the Debtors' businesses. Therefore, the Debtors' continued receipt of certain goods and services is necessary to ensure that there are no unexpected or inopportune interruptions in the Debtors'

business operations, and to preserve and maximize the value of the Debtors' estates. Accordingly, for the reasons set forth above and in the Critical Vendor Motion, on behalf of the Debtors, I respectfully submit that the Debtors' Critical Vendor Motion should be granted.

J. Customer Programs Motion

70. Through the Customer Programs Motion, the Debtors seek an order authorizing the Debtors (a) to continue, maintain, pay, honor, administer, renew, replace, implement, or terminate their customer programs in the ordinary course of their business; and (b) to fulfill and honor (through payment, credit, setoff, or otherwise) payments on account of any prepetition obligations related to such programs.

71. The Debtors' Customer Programs promote and preserve the Debtors' critical customer relationships, maximize customer loyalty, improve goodwill, and generate revenue for the Debtors. For example, the Debtors offer rebates that encourage existing customers to maintain certain purchasing volumes and purchasing targets, thereby increasing the revenue the Debtors obtain. The Debtors also issue credits, refunds, price adjustments, discounts, and other similar obligations to their customers, the vast majority of which do not entail the expenditure of cash, and for which the Debtors do not have formal policies in place, and the Debtors' sales team also has authority to provide incentives and price-matching to entice potential customers in contract negotiations.

72. The relief requested in the Customer Programs Motion will help facilitate the Debtors' orderly transition into chapter 11 and minimize the disruption on their businesses by giving existing customers peace of mind that the rebate incentives previously promised are continued, and allowing the Debtors' sales team to continue to procure new customers through incentives offered in negotiations. Accordingly, on behalf of the Debtors, I respectfully submit that the relief requested in the Customer Programs Motion should be granted.

K. DIP Financing & Cash Collateral Motion

73. By the DIP Financing Motion, the Debtors seek authorization to obtain postpetition secured financing (the “DIP Financing”) and approval of their entry into a secured debtor in possession credit term loan facility in an aggregate principal amount of up to \$10 million (the “DIP Facility”), including up to \$5 million on an interim basis, secured by liens that are *pari passu* with the Prepetition Liens held by the Prepetition Secured Parties. The DIP Facility provides the Debtors with necessary liquidity on terms that are reasonable under the circumstances, is the only proposal that the Debtors have received, and the relief sought is critical for the Debtors to pay their ordinary-course operating expenses and fund the administrative costs of these Chapter 11 Cases. As of the Petition Date, the Debtors only have approximately \$3.6 million in unrestricted cash on hand and require immediate access to the DIP Financing and use of Cash Collateral to ensure that they have sufficient liquidity to operate while in chapter 11.

74. On the terms set out in the DIP Financing Motion and in the DIP Term Sheet, the Prepetition Secured Parties have consented to the use of Cash Collateral and the granting of *pari passu* DIP Liens. In light of the unavailability of funding from other sources, certain of the Debtors’ noteholders and Board members, or entities controlled by them (the “DIP Lenders”)⁵ have agreed to provide the DIP Facility, on an arms’-length good faith basis and on market terms, to allow the Debtors to run a process that will maximize the value of their estates for the benefit of all stakeholders.

⁵ The DIP Lenders are Grosvenor Food & AgTech, a prepetition equity holder, Noteholder, and affiliate of an AeroFarms Board Member; INGKA Investments Ventures US BV, a prepetition equity holder and Noteholder; Cibus Fund (comprising Cibus Fund LP and Cibus Clara Fund LP), a prepetition equity holder and Noteholder; ACEG Beteiligungsgesellschaft mbH, a prepetition equity holder and Noteholder; James Borel, a prepetition Noteholder and AeroFarms Board Member; and Peter Lacy, an AeroFarms Board Member.

75. The Debtors require immediate access to the DIP Financing and use of Cash Collateral to maximize the value of their estates, ensure sufficient working capital to operate their business and to administer their estates, and that they can timely pay administrative expenses incurred during these Chapter 11 Cases. Without additional financing and the ability to use Cash Collateral, the Debtors will be in a negative cash position within days of these Chapter 11 Cases.

76. In consultation with their advisors, the Debtors reviewed and analyzed the Debtors' projected cash flows to determine the requisite amount of debtor in possession financing. Based on management's cash-flow forecast, the Debtors compiled the Initial DIP Budget. Based on the forecasted funding requirements reflected in the Initial DIP Budget, the liquidity provided under the proposed DIP Financing will enable the Debtors to preserve their value as a going concern, provide the Debtors with sufficient liquidity to meet their ongoing day-to-day obligations, fund the operational and administrative costs of these Chapter 11 Cases, and satisfy working capital requirements and other operational expenses, all of which will preserve the value of the Debtors' estates for the benefit of their stakeholders. The Requisite DIP Lenders and the Prepetition Secured Parties have approved the Initial DIP Budget. A proposed Initial DIP Budget is attached to the proposed Interim DIP Order as Exhibit 2.

77. In consultation with their advisors, the Debtors developed a list of parties that potentially would be interested in providing the DIP Financing, including all prepetition lenders and noteholders, to create a competitive environment for raising the necessary capital on the best terms available in the market. Given the nature and stage of the Debtors' business and existing secured debt, the Debtors' strategy to obtain the best source of financing from the market was reflective of the practical realities of the Debtors' existing capital structure, including approaching existing lenders, noteholders, and equity holders. The Debtors believe in their business judgment

that expanding the search beyond such parties would have proven futile. Other than the DIP Lenders, no other party has come forward with a proposal for DIP financing.

78. Over the course of several weeks, the Debtors and the DIP Lenders negotiated the terms and provisions of the DIP Facility. During that time, the parties negotiated extensively and participated in numerous calls and exchanged numerous drafts. Throughout the process, the Debtors' restructuring professionals held numerous calls and briefings with the Debtors' management team regarding the terms of the DIP Financing.

79. This process culminated in the DIP Facility, which was negotiated in good faith and at arms'-length. Given the extensive negotiations that took place between the Debtors and the DIP Lenders, in addition to the lack of viable alternative financing sources, the proposed DIP Facility is the best financing alternative available to the Debtors and, with the consent of the Prepetition Secured Parties, avoids a costly fight at the outset of the Chapter 11 Cases that places the Debtors' enterprise at risk.

80. Accordingly, for the reasons set forth above and as set forth in the DIP Financing Motion, I believe that the DIP Facility and the use of Cash Collateral are essential for the Debtors to be able to effectuate their goals in these Chapter 11 Cases. Without the additional liquidity afforded by the DIP Facility and access to Cash Collateral, the Debtors would be unable to continue their business or reorganize successfully. For these reasons, on behalf of the Debtors, I respectfully submit that the relief requested in the DIP Financing Motion should be granted.

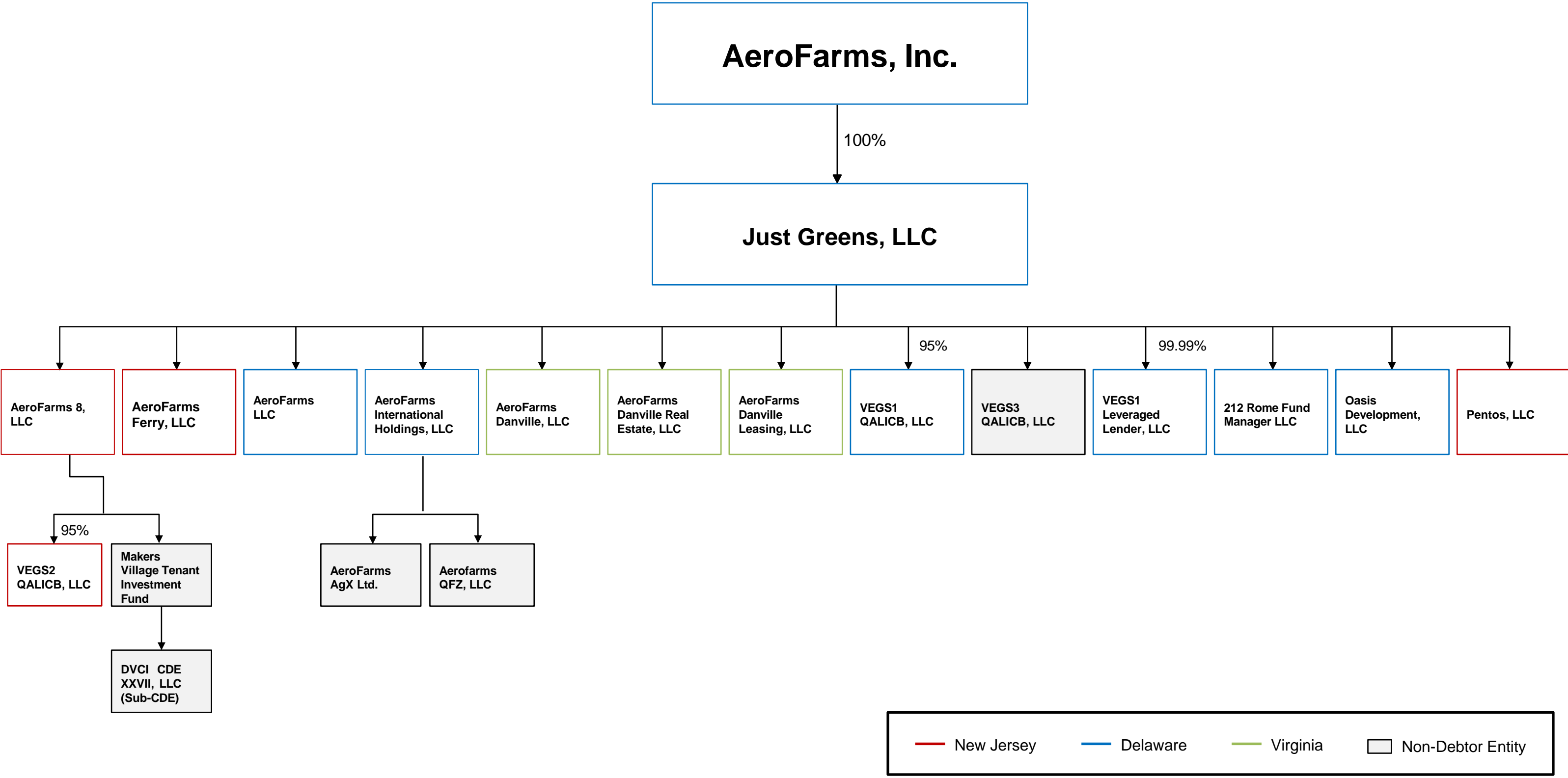
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Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

/s/ Guy Blanchard _____

Guy Blanchard

Exhibit A



Entities are 100% owned unless designated with other percentages