

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE
MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
HYDRX FARMS LTD., CANNSCIENCE INNOVATIONS INC. AND
SCIENTUS PHARMA INC.

Applicant

APPLICATION RECORD
(Returnable March 22, 2021)

March 19, 2021

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Lawyers for the Applicant

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TAB 1

Court File No.

**ONTARIO
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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE MATTER
OF A PLAN OF COMPROMISE OR ARRANGEMENT OF HYDRX FARMS
LTD., CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA
INC.

Applicant

NOTICE OF APPLICATION

TO THE RESPONDENT(S)

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicant.
The claim made by the Applicant appears on the following page.

THIS APPLICATION will come on for a hearing (*choose one of the following*)

- In person
- By telephone conference
- By video conference

at the following location: 330 University Avenue, 8th Floor, Toronto, ON
M5G 1R7

on a date to be fixed.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date March 19, 2021 Issued by _____
Local Registrar

Address of court office: Superior Court of Justice
330 University Avenue, 8th Floor
Toronto, ON M5G 1R7

APPLICATION

DOMENICO SERAFINO AS PERSON INTERESTED IN THE MATTER:

1. **MAKES AN APPLICATION FOR:**

- a) An initial order (the “**Initial Order**”), without notice and on an urgent basis, pursuant to the *Companies Creditors’ Arrangement Act*, R.S.C. 1985, c C-36, as amended (the “**CCAA**”) substantially in the form attached hereto as Tab 2 to the Application Record for, among other things:
 - i. Abridging the time for filing this Notice of Application and the materials filed in support of the Application so that this Application is properly returnable on the return date;
 - ii. Declaring that Domenico Serafino (“**Serafino**”) is a person interested in the matter pursuant to section 11 of the CCAA;
 - iii. Declaring that Hydrx Farms Ltd. (“**Hydrx**”), Cannscience Innovations Inc. and Scientus Pharma Inc. (collectively, “**Hydrx**”), are debtor companies to which the CCAA applies;
 - iv. Appointing Schwartz Levitsky Feldman Inc. (“**SLF**”) as an officer of this Court to monitor the assets, business and affairs of Hydrx (in such capacity, the “**Monitor**”);

- v. Staying, for an initial period of not more than ten (10) days (the “**Stay of Proceedings**”), all proceedings and remedies taken or that might be taken in respect of Hydrx, the Monitor, or Hydrx’s directors and officers, or affecting its business or assets, except with the written consent of the Serafino and the Monitor, or with leave of this Court;
 - vi. Sealing the Confidential Appendix containing the letters of intention.
- b) Prior to the expiry of the Stay of Proceedings, Serafino intends to schedule a comeback hearing (the “**Comeback Hearing**”), to seek an amended and restated Initial Order (the “**Amended and Restated Initial Order**”). Among other things, the Amended and Restated Initial Order will seek the following additional relief:
- i. Removal of Richard Goldstein as director of Hydrx;
 - ii. Authorize a debtor in possession loan;
 - iii. An extension of the Stay of Proceedings;
- c) its costs of this Application; and
- d) such further and other relief as this Honourable Court may deem just.

2. THE GROUNDS FOR THE APPLICATION ARE:

Hydrx

- a) Hydrx is insolvent and a company to which the CCAA applies.
- b) Hydrx was incorporated under the *Canadian Business Corporations Act*, R.S.C. 1985, c. C-44.
- c) Hydrx is a vertically-integrated biopharmaceutical company with a focus on developing and commercializing pharmaceutical-grade cannabinoid derivative products.
- d) Hydrx is the owner of a production facility in Whitby, Ontario. Hydrx is an approved license producer with Health Canada.
- e) Hydrx initiated a planned shutdown in March 2020 as a result of a severe liquidity crisis, operational difficulties and the increased market downturn due to the COVID-19 pandemic.
- f) The most recent trial balance report shows that Hydrx's liabilities exceeds its assets.

Serafino As Person Interested In This Matter

- g) Serafino is bringing this Application as a person interested in this matter pursuant to section 11 of the CCAA. Serafino is acting in good faith with respect to these proceedings.
- h) Serafino is a significant shareholder and one of two remaining directors of Hydrx. The other director is Richard Goldstein (“**Goldstein**”). Serafino and Goldstein as directors are in a deadlock position. Serafino is the only director that is not in a conflict of interest position.
- i) The relief being sought under the Initial Order is being sought on an urgent basis and without notice to Goldstein due to Goldstein’s conflicts of interest and conduct summarized, in part, as follows:
 - i. Goldstein publically disclosed his ownership interest and role as CEO and Cobra Ventures Inc. (“**Cobra**”) shortly before consenting to act as director of Hydrx and after Cobra had acquired the debt and security of Hydrx’s then principal secured creditor, Aphria Ltd. (“**Aphria**”), at a deep discount;
 - ii. Goldstein did not disclose that Cobra entered into a loan arrangement with Rydan Financial Inc. (“**Rydan**”) for \$1 million and pledged the assets of Hydrx in support of the loan.

The Rydan loan was used to assist Cobra in its acquisition of the debt and security held by Aphria;

- iii. Goldstein did not disclose the decision by Cobra to obtain a loan from Windsor Private Capital Limited Partnership (“**Windsor**”) in the amount of \$4 million against securing this loan with assets of Hydrx. Hydrx did not receive any benefit from the loan proceeds;
- iv. Serafino and the Hydrx board were not privy to the loan arrangements with Windsor and Rydan and no board approval was sought or given despite the pledging of Hydrx’s assets.
- v. Goldstein attempted to interfere with Hydrx’s Excise Tax License which is required in order for it to sell cannabis products;
- vi. Goldstein has contacted Health Canada seeking guidance on how to transfer Hydrx’s license to Cobra.

The Re-Start Investor Group

- j) Serafino has brought together a re-start investor group (the “**Re-Start Group**”) that is prepared to fund the restart of Hydrx’s business operations

and to drive value through third party co-packing and the other relationships that will permit Hydrx to meet its liabilities as they come due.

- k) The Re-Start Group has agreed to pay all costs set out in the Cash Flow Statement attached to the Monitor's pre-filing report for the 10 day period of the Stay of Proceedings.
- l) The Stay of Proceedings is revenue and risk neutral to Goldstein and Cobra. The Re-Start Group has agreed to pay the *per diem* cost of the monthly loan interest mortgage payment that Cobra owners to Windsor.

Letters of Intention

- m) Hydrx has in hand letters of intention from arms-length partners.

The Confidential Appendix

- n) Serafino requests that the Confidential Appendix containing the letters of intention be sealed until further order of this Honourable Court as it could adversely affect Hydrx should Goldstein use this information to contact counter parties or in the event there is a later sale of the assets of Hydrx.

The Initial Order

- o) Hydrx cannot maintain its business and regulatory compliance without CCAA protection. With a deadlocked board of directors, Goldstein's

breaches and conflicted interests, Hydrx remains vulnerable to losing its cannabis licenses it depends upon to re-start its business operations.

- p) The Initial Order is required:
 - (a) To preserve the current compliant regulatory status quo;
 - (b) Give Hydrx breathing space to effect a restart of its production operations and enter into third party co-packing contracts.
- q) Hydrx is insolvent. In a forced liquidation scenario, the assets of Hydrx are insufficient to satisfy in full its existing liabilities.
- r) The relief sought in the Initial Order is reasonably necessary.

The Monitor

- s) SLF has consented to act as the Monitor.

Service by E-Mail

- t) Given the limitations imposed as a result of the COVID-19 pandemic, it is appropriate for this Court to authorize delivery of the prescribed notices to known creditors by e-mail instead of physical mail and service of Application materials by e-mail instead of physical mail.

Other Grounds

- u) The provisions of the CCAA and the inherent and equitable jurisdiction of this Honourable Court;
- v) Rules 2.03, 3.02, 14.05, 16, and 38 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended;
- w) Section 106 of the Ontario *Courts of Justice Act*, R.S.O. 1990, c. C.43 as amended; and
- x) Such further and other grounds as counsel may advise and this Court may permit.

3. **THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of this application:

- a) The Affidavit of Domenico Serafino sworn March 19, 2021 and the exhibits attached thereto;
- b) The Pre-Filing Report of the Proposed Monitor, Schwartz Levitsky Feldman LLP, to be filed;
- c) The Consent of Schwartz Levitsky Feldman Inc. to act as Monitor dated March 19, 2021; and,
- d) Such further and other evidence as counsel may advise and this Court may permit.

Date: March 19, 2021

MINDEN GROSS LLP
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Toronto ON M5H 4G2

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Lawyers for Domenico Serafino As Person
Interested In The Matter

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND DOMENICO SERAFINO AS PERSON INTERESTED IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF HYDRX FARMS LTD., CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA
INC. (the "Applicant")

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

NOTICE OF APPLICATION

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Suite 2200
Toronto, ON M5H 4G2

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Lawyer for Domenico Serafino as Person
Interested In the Matter

TAB 2

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

| | | |
|--------------------|---|------------------------------|
| THE HONOURABLE MR. |) | MONDAY, THE 22 nd |
| |) | |
| JUSTICE HAINEY |) | DAY OF MARCH, 2021 |

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

AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE MATTER OF A PLAN
OF COMPROMISE OR ARRANGEMENT OF HYDRX FARMS LTD., CANNSCIENCE
INNOVATIONS INC. AND SCIENTUS PHARMA INC. (the "**Applicant**")

INITIAL ORDER

THIS APPLICATION, made by Domenico Serafino (the "**Applicant**") as person interested in Hydrx Farms Ltd., Cannscience Innovations Inc. and Scientus Pharma Inc. (collectively, "**Hydrx**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day on an urgent basis and without notice by ZOOM videoconference at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Domenico Serafino sworn March 19, 2021 and the Exhibits thereto (the "**Serafino Affidavit**"), and the Pre-Filing Report of the proposed monitor, Schwartz Levitsky Feldman Inc. ("**SLF**") dated March 19, 2021, the factum of the Applicant and on hearing submissions for counsel for the Applicant, counsel for SLF, and on reading the consent of SLF to act as monitor (the "**Monitor**"),

SERVICE AND DEFINITIONS

1. THIS COURT ORDERS that the time for filing of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today.
2. THIS COURT ORDERS that the Application Record, Factum, Pre-Filing Report of the Monitor and a copy of this Order be served on all affected parties forthwith by email.
3. THIS COURT ORDERS that capitalized terms used herein that are not otherwise defined shall have the meaning ascribed to them in the Serafino Affidavit.

APPLICATION

4. THIS COURT ORDERS that the Applicant is a person interested in the matter pursuant to section 11 of the CCAA.
5. THIS COURT ORDERS AND DECLARES that Hydrx Farms Ltd., Cannscience Innovations Inc. and Scientus Pharma Inc. are insolvent and to which the CCAA applies.

POSSESSION OF PROPERTY AND OPERATIONS

6. THIS COURT ORDERS that Hydrx shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, Hydrx shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. Hydrx is authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.
7. THIS COURT ORDERS that Hydrx shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by Hydrx in respect of these proceedings, at their standard rates and charges.

8. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, Hydrx shall be entitled but not required to pay all reasonable expenses incurred in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to Hydrx following the date of this Order.

9. THIS COURT ORDERS that Hydrx shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by Hydrx in connection with the sale of goods and services by Hydrx, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Hydrx.

10. THIS COURT ORDERS that, except as specifically permitted herein, Hydrx is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by Hydrx to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

NO PROCEEDINGS AGAINST HYDRX OR THE PROPERTY

11. THIS COURT ORDERS that until and including April 1, 2021, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of Hydrx or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of Hydrx or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

12. THIS COURT ORDERS that during the Stay Period, Hydrx is directed to maintain its licenses and regulatory compliance with Health Canada under the *Cannabis Act* and *Excise Tax Act* and there shall be no amendments or modifications to its existing licenses including any changes to the Health Canada designated personnel save and except in the event of the resignation of any designated personnel. In the event of a resignation of a designated person, Thomas Jefferd, current Head of Security for Hydrx, shall appoint any and all qualified persons to ensure continued compliance with all Health Canada regulations.

13. THIS COURT ORDERS that no person shall take any steps, or refuse to take any steps, that would cause Hydrx to be unable to conduct its business operations in compliance with Health Canada regulations or otherwise.

NO EXERCISE OF RIGHTS OR REMEDIES

14. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of Hydrx or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower Hydrx to carry on any business which Hydrx is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

15. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by Hydrx, except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

16. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with Hydrx or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or Hydrx, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by Hydrx, and that Hydrx shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the

date of this Order are paid by Hydrx in accordance with normal payment practices of Hydrx or such other practices as may be agreed upon by the supplier or service provider and each of Hydrx and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

17. THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to Hydrx. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

18. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of Hydrx with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of Hydrx whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of Hydrx, if one is filed, is sanctioned by this Court or is refused by the creditors of Hydrx or this Court.

APPOINTMENT OF MONITOR

19. THIS COURT ORDERS that Schwartz Levitsky Feldman LLP is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of Hydrx with the powers and obligations set out in the CCAA or set forth herein and that Hydrx and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant and Hydrx pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

20. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor Hydrx's receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) advise the Hydrx in its preparation of the Hydrx's cash flow statements;
- (d) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of Hydrx, to the extent that is necessary to adequately assess Hydrx's business and financial affairs or to perform its duties arising under this Order;
- (e) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (f) perform such other duties as are required by this Order or by this Court from time to time.

21. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

22. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the

Canadian Environmental Protection Act, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

23. THIS COURT ORDERS that that the Monitor shall provide any creditor of Hydrx with information provided by Hydrx in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by Hydrx is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and Serafino may agree.

24. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

SERVICE AND NOTICE

25. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in the *Globe and Mail*, National Edition, a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, by email, a notice to every known creditor who has a claim against Hydrx of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

26. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL www.slfinc.ca

27. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to Hydrx’s creditors or other interested parties at their respective addresses as last shown on the records of Hydrx and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

SEALING PROVISION

28. THIS COURT ORDERS that the Confidential Appendices is hereby sealed pending further Order of the Court and shall not form part of the public record.

GENERAL

29. THIS COURT ORDERS that the Applicant, Hydrx or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

30. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of Hydrx, the Business or the Property.

31. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicant, Hydrx, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant, Hydrx and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant, Hydrx and the Monitor and their respective agents in carrying out the terms of this Order.

32. THIS COURT ORDERS that each of the Applicant, Hydrx and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

33. THIS COURT ORDERS that any interested party (including the Applicant, Hydrx and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

34. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order and is enforceable without any need for entry and filing.

TAB 3

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE ~~_____~~MR.) ~~WEEKDAY~~MONDAY, THE ~~#~~22nd
JUSTICE ~~_____~~HAINY) DAY OF ~~MONTH~~MARCH, ~~20YR~~2021

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

AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE MATTER

OF A PLAN OF COMPROMISE OR ARRANGEMENT OF ~~[APPLICANT'S-
NAME]~~(the "~~Applicant~~"HYDRX FARMS LTD., CANNSCIENCE INNOVATIONS
INC. AND SCIENTUS PHARMA INC. (the "Applicant"))

INITIAL ORDER

THIS APPLICATION, made by Domenico Serafino (the "Applicant;") as person
interested in Hydrx Farms Ltd., Cannscience Innovations Inc. and Scientus Pharma Inc.
(collectively, "Hydrx") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c.
C-36, as amended (the "CCAA") was heard this day on an urgent basis and without notice by
ZOOM videoconference at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of ~~[NAME]~~sworn [DATE]Domenico Serafino sworn March
19, 2021 and the Exhibits thereto, ~~and on being advised that the secured creditors who are likely~~
~~to be affected by the charges created herein were given notice, and on hearing the~~ (the "Serafino
Affidavit"), and the Pre-Filing Report of the proposed monitor, Schwartz Levitsky Feldman Inc.
("SLF") dated March 19, 2021, the factum of the Applicant and on hearing submissions of

~~counsel for [NAMES], no one appearing for [NAME]¹ although duly served as appears from the affidavit of service of [NAME] sworn [DATE] for counsel for the Applicant, counsel for SLE, and on reading the consent of [MONITOR'S NAME] SLE to act as monitor (the “**Monitor**”),~~

SERVICE AND DEFINITIONS

1. THIS COURT ORDERS that the time for ~~service~~ filing of the Notice of Application and the Application Record is hereby abridged and validated² so that this Application is properly returnable today ~~and hereby dispenses with further service thereof.~~

2. THIS COURT ORDERS that the Application Record, Factum, Pre-Filing Report of the Monitor and a copy of this Order be served on all affected parties forthwith by email.

3. THIS COURT ORDERS that capitalized terms used herein that are not otherwise defined shall have the meaning ascribed to them in the Serafino Affidavit.

APPLICATION

4. ~~2-~~ THIS COURT ORDERS AND DECLARES that the Applicant is a ~~company~~ person interested in the matter pursuant to section 11 of the CCAA.

5. THIS COURT ORDERS AND DECLARES that Hydrx Farms Ltd., Cannscience Innovations Inc. and Scientus Pharma Inc. are insolvent and to which the CCAA applies.

PLAN OF ARRANGEMENT

~~3.— THIS COURT ORDERS that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").~~

¹ Include names of secured creditors or other persons who must be served before certain relief in this model Order may be granted. See, for example, CCAA Sections 11.2(1), 11.3(1), 11.4(1), 11.51(1), 11.52(1), 32(1), 32(3), 33(2) and 36(2).

² If service is effected in a manner other than as authorized by the Ontario *Rules of Civil Procedure*, an order validating irregular service is required pursuant to Rule 16.08 of the *Rules of Civil Procedure* and may be granted in appropriate circumstances.

POSSESSION OF PROPERTY AND OPERATIONS

6. ~~4.~~ THIS COURT ORDERS that ~~the Applicant~~Hydrx shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, ~~the Applicant~~Hydrx shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. ~~The Applicant~~Hydrx is authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

~~5. — [THIS COURT ORDERS that the Applicant shall be entitled to continue to utilize the central cash management system³ currently in place as described in the Affidavit of [NAME] sworn [DATE] or replace it with another substantially similar central cash management system (the "Cash Management System") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicant, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.]~~

~~6. — THIS COURT ORDERS that the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:~~

7. THIS COURT ORDERS that Hydrx shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

³This provision should only be utilized where necessary, in view of the fact that central cash management systems often operate in a manner that consolidates the cash of applicant companies. Specific attention should be paid to cross-border and inter-company transfers of cash.

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by ~~the Applicant~~Hydrx in respect of these proceedings, at their standard rates and charges.

8. ~~7.~~ THIS COURT ORDERS that, except as otherwise provided to the contrary herein, ~~the Applicant~~Hydrx shall be entitled but not required to pay all reasonable expenses incurred ~~by the Applicant~~ in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to ~~the Applicant~~Hydrx following the date of this Order.

9. ~~8.~~ THIS COURT ORDERS that ~~the Applicant~~Hydrx shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by ~~the Applicant~~Hydrx in connection with the sale of goods and services by ~~the Applicant~~Hydrx, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or

collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.⁹ ~~THIS COURT ORDERS that until a real property lease is disclaimed [or resiliated]⁴ in accordance with the CCAA, the Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.~~ [Hydrex](#).

10. THIS COURT ORDERS that, except as specifically permitted herein, ~~the Applicant~~ [Hydrex](#) is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by ~~the Applicant~~ [Hydrex](#) to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

~~11. THIS COURT ORDERS that the Applicant shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:~~

⁴ ~~The term "resiliate" should remain if there are leased premises in the Province of Quebec, but can otherwise be removed.~~

- (a) ~~permanently or temporarily cease, downsize or shut down any of its business or operations, [and to dispose of redundant or non-material assets not exceeding \$● in any one transaction or \$● in the aggregate]⁵~~
- (b) ~~[terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate]; and~~
- (c) ~~pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,~~

~~all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business (the "Restructuring").~~

~~12. THIS COURT ORDERS that the Applicant shall provide each of the relevant landlords with notice of the Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims [or resiliates] the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer [or resiliation] of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.~~

~~13. THIS COURT ORDERS that if a notice of disclaimer [or resiliation] is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer [or resiliation], the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer [or resiliation], the~~

⁵~~Section 36 of the amended CCAA does not seem to contemplate a pre-approved power to sell (see subsection 36(3)) and moreover requires notice (subsection 36(2)) and evidence (subsection 36(7)) that may not have occurred or be available at the initial CCAA hearing.~~

~~relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.~~

NO PROCEEDINGS AGAINST ~~THE APPLICANT~~HYDRX OR THE PROPERTY

11. ~~14.~~ THIS COURT ORDERS that until and including [~~DATE—MAX. 30 DAYS~~], April 1, 2021, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of ~~the Applicant~~Hydrx or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of ~~the Applicant~~Hydrx or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

12. THIS COURT ORDERS that during the Stay Period, Hydrx is directed to maintain its licenses and regulatory compliance with Health Canada under the Cannabis Act and Excise Tax Act and there shall be no amendments to its existing licenses including any changes to the Health Canada designated personnel save and except in the event of the resignation of any designated personnel. In the event of a resignation of a designated person, Thomas Jefferd, current Head of Security for Hydrx, shall appoint any and all qualified persons to ensure continued compliance with all Health Canada regulations.

13. THIS COURT ORDERS that no person shall take any steps, or refuse to take any steps, that would cause Hydrx to be unable to conduct its business operations in compliance with Health Canada regulations or otherwise.

NO EXERCISE OF RIGHTS OR REMEDIES

14. ~~15.~~ THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of ~~the Applicant~~Hydrx or the Monitor, or affecting the Business or the Property, are hereby stayed and

suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower ~~the Applicant~~Hydrx to carry on any business which ~~the Applicant~~Hydrx is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

15. ~~16.~~ THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by ~~the Applicant~~Hydrx, except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

16. ~~17.~~ THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with ~~the Applicant~~Hydrx or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or ~~the Applicant~~Hydrx, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by ~~the Applicant~~Hydrx, and that ~~the Applicant~~Hydrx shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by ~~the Applicant~~Hydrx in accordance with normal payment practices of ~~the Applicant~~Hydrx or such other practices as may be agreed upon by the supplier or service provider and each of ~~the Applicant~~Hydrx and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

17. ~~18.~~ THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or

licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to ~~the Applicant~~Hydrx. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.⁶

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

18. ~~19.~~ THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of ~~the Applicant~~Hydrx with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of ~~the Applicant~~Hydrx whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of ~~the Applicant~~Hydrx, if one is filed, is sanctioned by this Court or is refused by the creditors of ~~the Applicant~~Hydrx or this Court.

~~DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE~~

~~20.— THIS COURT ORDERS that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings,⁷ except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.~~

~~21.— THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge")⁸ on the Property, which charge shall not exceed an aggregate amount of \$●, as security for the indemnity provided in paragraph [20] of this Order. The Directors' Charge shall have the priority set out in paragraphs [38] and [40] herein.~~

⁶ This non-derogation provision has acquired more significance due to the recent amendments to the CCAA, since a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, 11.1(2) and 11.5(1).

⁷ The broad indemnity language from Section 11.51 of the CCAA has been imported into this paragraph. The granting of the indemnity (whether or not secured by a Directors' Charge), and the scope of the indemnity, are discretionary matters that should be addressed with the Court.

⁸ Section 11.51(3) provides that the Court may not make this security/charging order if in the Court's opinion the Applicant could obtain adequate indemnification insurance for the director or officer at a reasonable cost.

~~22. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph [20] of this Order.~~

APPOINTMENT OF MONITOR

19. ~~23.~~ THIS COURT ORDERS that ~~[MONITOR'S NAME]~~ Schwartz Levitsky Feldman LLP is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of ~~the Applicant~~ Hydrex with the powers and obligations set out in the CCAA or set forth herein and that ~~the Applicant~~ Hydrex and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant and Hydrex pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

20. ~~24.~~ THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor ~~the Applicant~~ Hydrex's receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- ~~(c) assist the Applicant, to the extent required by the Applicant, in its dissemination, to the DIP Lender and its counsel on a [TIME INTERVAL] basis of financial and other information as agreed to between the Applicant and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;~~
- (c) ~~(d)~~ advise the Applicant Hydrex in its preparation of the ~~Applicant's cash flow statements and reporting required by the DIP Lender, which information shall be~~

- ~~reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than [TIME INTERVAL], or as otherwise agreed to by the DIP Lender~~Hydrx's cash flow statements;
- ~~(e) — advise the Applicant in its development of the Plan and any amendments to the Plan;~~
- ~~(f) — assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;~~
- (d) ~~(g)~~ have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of ~~the Applicant~~Hydrx, to the extent that is necessary to adequately assess ~~the Applicant~~Hydrx's business and financial affairs or to perform its duties arising under this Order;
- (e) ~~(h)~~ be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (f) ~~(i)~~ perform such other duties as are required by this Order or by this Court from time to time.

21. ~~25.~~ THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

22. ~~26.~~ THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water*

Resources Act, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

23. ~~27.~~ THIS COURT ORDERS that that the Monitor shall provide any creditor of ~~the Applicant and the DIP Lender~~ Hydrex with information provided by ~~the Applicant~~ Hydrex in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by ~~the Applicant~~ Hydrex is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and ~~the Applicant~~ Serafino may agree.

24. ~~28.~~ THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

~~29.— THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a [TIME INTERVAL] basis and, in addition, the Applicant is hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Applicant, retainers in the amount[s] of \$●-[, respectively,] to be held by them as security for payment of their respective fees and disbursements outstanding from time to time~~

~~30.— THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.~~

~~31.— THIS COURT ORDERS that the Monitor, counsel to the Monitor, if any, and the Applicant's counsel shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$●, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs [38] and [40] hereof.~~

~~DIP FINANCING~~

~~32.— THIS COURT ORDERS that the Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from [DIP LENDER'S NAME] (the "DIP Lender") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$● unless permitted by further Order of this Court.~~

~~33.— THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicant and the DIP Lender dated as of [DATE] (the "Commitment Letter"), filed.~~

~~34.— THIS COURT ORDERS that the Applicant is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "Definitive Documents"), as are contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicant is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.~~

~~35.— THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "DIP Lender's Charge") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs [38] and [40] hereof.—~~

36. ~~THIS COURT ORDERS that, notwithstanding any other provision of this Order:~~

- ~~(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;~~
- ~~(b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon 90 days notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicant and set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and for the appointment of a trustee in bankruptcy of the Applicant; and~~
- ~~(c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.~~

37. ~~THIS COURT ORDERS AND DECLARES that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Definitive Documents.~~

~~VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER~~

~~38.—THIS COURT ORDERS that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows⁹:~~

~~First—Administration Charge (to the maximum amount of \$●);~~

~~Second—DIP Lender's Charge; and~~

~~Third—Directors' Charge (to the maximum amount of \$●).~~

~~39.—THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge, the Administration Charge or the DIP Lender's Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.~~

~~40.—THIS COURT ORDERS that each of the Directors' Charge, the Administration Charge and the DIP Lender's Charge (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person.~~

~~41.—THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Directors' Charge, the Administration Charge or the DIP Lender's Charge, unless the Applicant also obtains the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court.—~~

⁹~~The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the rankings, above), where appropriate.~~

~~42.— THIS COURT ORDERS that the Directors' Charge, the Administration Charge, the Commitment Letter, the Definitive Documents and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:~~

- ~~(a) — neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents shall create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;~~
- ~~(b) — none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicant entering into the Commitment Letter, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and~~
- ~~(c) — the payments made by the Applicant pursuant to this Order, the Commitment Letter or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.~~

~~43.— THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicant's interest in such real property leases.~~

SERVICE AND NOTICE

25. ~~44.~~ THIS COURT ORDERS that the Monitor shall (i) without delay, publish in ~~[newspapers specified by the Court]~~the Globe and Mail, National Edition, a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, ~~in the prescribed manner~~by email, a notice to every known creditor who has a claim against ~~the Applicant~~Hydrex of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

26. ~~45.~~ THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL ~~‘<@>’~~.www.slfinc.ca

27. ~~46.~~ THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to ~~the Applicant~~Hydrex’s creditors or other interested parties at their respective addresses as last shown on the records of ~~the Applicant~~Hydrex and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

SEALING PROVISION

28. THIS COURT ORDERS that the Confidential Appendices is hereby sealed pending further Order of the Court and shall not form part of the public record.

GENERAL

29. ~~47.~~ THIS COURT ORDERS that the Applicant, Hydrex or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

30. ~~48.~~ THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of ~~the Applicant~~ Hydrex, the Business or the Property.

31. ~~49.~~ THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicant, Hydrex, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant, Hydrex and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant, Hydrex and the Monitor and their respective agents in carrying out the terms of this Order.

32. ~~50.~~ THIS COURT ORDERS that each of the Applicant, Hydrex and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

33. ~~51.~~ THIS COURT ORDERS that any interested party (including the Applicant, Hydrex and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7)

days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

34. ~~52.~~ THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order. and is enforceable without any need for entry and filing.

TAB 4

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE MATTER
OF A PLAN OF COMPROMISE OR ARRANGEMENT OF HYDRX FARMS
LTD., CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA
INC.

AFFIDAVIT OF DOMENICO SERAFINO

I, **DOMENICO SERAFINO**, of the City of Toronto, in the Province of Ontario,
MAKE OATH AND SAY:

1. This Affidavit is made in support of an urgent Application without notice by me as a person interested in this matter seeking relief under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-35 ("**CCAA**") for the benefit and on behalf of Hydrx Farms Ltd. ("**Hydrx**"), Scientus Pharma Inc. ("**Scientus Pharma**") and CannScience Innovations Inc. ("**CannScience**") (collectively, "**Hydrx**").
2. I am a significant shareholder and one of two remaining directors of Hydrx. I have been a shareholder for 7 years and an independent director of Hydrx for 6 years. In my capacity as a director, and in conjunction with the management

team of Hydrx, I am responsible for, among other things, ensuring that Hydrx has effective operational procedures to support its business operations. As such, I have personal knowledge of the matters deposed to herein. Where I have relied on other sources for information, I have so stated and believe them to be true.

3. All references to monetary amounts in this Affidavit are in Canadian dollars unless noted otherwise.

REASON FOR APPLICATION BY “INTERESTED PERSON”

4. I am making the Application as an “interested person” due to a deadlock between myself and Richard Goldstein who is the only other director of Hydrx (“**Goldstein**”). For the reasons set forth herein, Goldstein finds himself in a position of conflict between his fiduciary obligations as a director of Hydrx and his role as CEO and owner of Cobra Ventures Inc. (“**Cobra**”), a secured lender to Hydrx and his role as a shareholder, director and officer of Canntab Therapeutics Limited (“**Canntab**”), a prospective competitor of Hydrx. Particulars of Goldstein’s numerous conflicts of interest are set forth in more detail throughout various sections of this Affidavit but may be summarized as follows:

- (a) Goldstein publically disclosed his ownership interest and role as CEO of Cobra Ventures Inc. (“**Cobra**”) on October 1, 2020, shortly before consenting to act as a director of Hydrx and after Cobra had acquired the debt and security

held by Hydrx's then principal secured creditor, Aphria Ltd. (“**Aphria**”) earlier that same month at a deep discount. His appointment to the board of directors was in furtherance of a business plan formulated in July of 2020 and in respect of which I acquiesced to his joining the board.

- (b) Subsequently, Goldstein did not disclose that Cobra entered into a loan arrangement with Rydan Financial Inc. (“**Rydan**”) for \$1 million and pledged the assets of Hydrx in support of the loan. The Rydan loan was used to assist Cobra in its acquisition of the debt and security held by Aphria.
- (c) Goldstein subsequently did not disclose the decision by Cobra to obtain a loan from Windsor Private Capital Limited Partnership (“**Windsor**”), in the amount of \$4 million again securing this loan with assets of Hydrx. Hydrx received no benefit from these loan proceeds as they were used to fund the repayment to Rydan and to fund the corporate divorce between Goldstein and the then co-owner of Cobra, World Class Extractions (“**WCE**”).
- (d) In order for Hydrx to be able to sell cannabis products, it must maintain an Excise Tax License (“**ETL**”). The ETL expires on April 17, 2021 and the deadline to renew was March 16, 2021. This deadline was known to Goldstein but he gave instructions to Roula Sotirakos, the then consultant of Cobra responsible for such compliance matters, to not file the requisite renewal application.

- (e) In order for Hydrx to legally operate, it needs to remain in compliance with various regulatory obligations, including licenses under the *Cannabis Act*. Goldstein has informed various third parties that his intention is to obtain a license for either Cobra or Canntab by using the same structure and regulatory submissions used by Hydrx for its cannabis related licenses. To this end, modifications to the Hydrx license in respect of the key personnel required by Health Canada have already been made without board approval by Hydrx.

- (f) Goldstein acknowledged his increasing conflicts of interest and growing discomfort with same in an email to me dated February 21, 2021. A copy of his email is attached as Exhibit “T”. Indeed, Goldstein indicated that he intended to resign. To date, he has not resigned and, as a consequence, we have a deadlocked board of directors and one director who is admittedly in an intractable conflict of interest.

HYDRX BACKGROUND

- 5. Hydrx was incorporated under the *Canadian Business Corporations Act*, R.S.C., 1985, c. C-44 on April 29, 2014.

- 6. Hydrx is a privately held corporation and its shares are not publicly traded.

7. Hydrx is a vertically-integrated biopharmaceutical company with a focus on developing and commercializing pharmaceutical-grade cannabinoid derivative products.

8. Hydrx is an approved licensed holder with Health Canada under the *Cannabis Act*. The license permits Hydrx to cultivate, wholesale, buy, process, and sell cannabis and cannabinoid derivatives from and to licensed producers (as such term is defined in the *Cannabis Act*). Hydrx is also permitted to sell cannabis to approved patients.

9. Hydrx's registered corporate address is 79 Wellington Street West, Suite 3000 Toronto, Ontario and is the registered owner of 1130 Champlain Court, Whitby, Ontario (the "**Hydrx Real Property**"). Situated on the Hydrx Real Property is a 46,000 square foot production facility that is fully regulatory compliant (the "**Production Facility**").

CORPORATE STRUCTURE

10. Hydrx is the ultimate parent company of the business, owner of all assets and holder of all applicable licenses.

11. Hydrx has two wholly-owned subsidiaries, Scientus Pharma and CannScience.

12. Scientus Pharma was incorporated on the premise that it would be the go forward corporate name of Hydrx should the business ever go public. Hydrx has not completed any initial public offering, reverse takeover or any other form of go-public transaction. To my knowledge, there also has never been any business conducted by or through Scientus Pharma.

13. CannScience was acquired by Hydrx Farms in March of 2017 principally for its patents. Hydrx has utilized intellectual property (“IP”) from the acquisition in its extraction line and has also applied for Scientific Research and Experimental Development Tax Credits through CannScience, though no such credits were applied for in 2020.

14. As of the date of this Affidavit, Scientus Pharma and CannScience have not carried on active business operations while owned by Hydrx. Nonetheless, both are being included in these CCAA proceedings, despite their inactive status and the fact that neither have any obligations of their own to any creditors directly, as both retain some usefulness to Hydrx stakeholders given the IP held through CannScience and the fact that Hydrx has in the past held itself out as o/a Scientus Pharma.

THE HYDRX BUSINESS

Cannabis Industry in Canada

15. Prior to 2018, cannabis was only permitted to be used for medical purposes in Canada. On October 17, 2018, the non-medical use of cannabis was legalized in Canada and the *Cannabis Act*, which regulates retail cannabis for recreational/adult-use, medical cannabis and industrial hemp in Canada, came into effect. Additionally, cannabis was removed as a controlled substance from the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19.

16. The cannabis industry continues to be a highly regulated industry, with the *Cannabis Act* regulating the possession, cultivation, production, distribution, sale, research, testing, import and export and promotion of cannabis based products.

Business

17. Hydrx's business, which is headquartered at the Hydrx Real Property, is a vertically-integrated biopharmaceutical company with a focus on developing and commercializing pharmaceutical-grade cannabinoid derivative products.

18. Hydrx provides a premium product mix with a focus on ensuring product consistency across their clinically developed pharma-grade manufacturing processes. This approach leads to well researched products that are accurate and provide a consistent dosage of active pharmaceutical ingredients.

19. Hydrx was approved by Health Canada as a Controlled Drug and Substances Licensed Dealer in October of 2016. Hydrx subsequently received a Licensed Producer Cultivation License (“**LP**”) in September of 2020. The LP was subsequently amended to include, among other things: (i) cultivation, (ii) the sale of dried flower, (iii) the processing of capsules and oils, (iv) the sale of capsules and oils, and most recently (v) the processing and sale of edibles (collectively, the “**Permitted License Uses**”). Attached hereto and marked as **Exhibit “A”** is a copy of the LP.

20. Hydrx currently cultivates and processes cannabis for the medical and lifestyle market and sells medical cannabis to other appropriately licensed entities and directly to consumers with medical documents in Canada.

21. The Production Facility located on Hydrx Real Property is the sole processing facility, with cultivation, extraction, manufacturing and distribution capabilities. Hydrx’s license under the *Cannabis Act* was renewed September 22, 2020. Attached

hereto and marked as **Exhibit “B”** is a copy of the renewal approval letter from Health Canada dated September 22, 2020.

22. As the holder of the LP license, Hydrx is subject to a comprehensive and rigorous regulatory regime as set out in the *Cannabis Act* and the regulations thereunder. This regime requires ongoing compliance with a variety of operational requirements, including that directors, officers and certain management personnel must hold security clearances, compliance with site location requirements and ongoing reporting obligations.

Employees

23. Hydrx no longer has any employees. Hydrx initiated a planned shutdown in March of 2020 as a result of its severe liquidity crisis, operational difficulties and the increased market downturn due to the Covid-19 pandemic. Hydrx was forced to lay off the majority of its 29 person staff, retaining only those employees required to maintain its standing with Health Canada and those required to sell, package, ship and account for its built up inventories and products sold.

24. Hydrx currently relies on contractors funded by Cobra, described below, to maintain its operational and regulatory compliance status.

25. There are no registered pension plans for Hydrx's former employees nor are there, or were there, any unions or collective bargaining arrangements in respect of Hydrx.

26. Hydrx did offer employee benefits through its provider Sun Life Financial Inc., offering health and dental benefits and life and accidental death and dismemberment insurance for all of its employees. These benefits were terminated for non-payment of premiums as of July 31, 2020.

Leased and Owned Property

27. As at the date of my affidavit, the encumbrances registered on title to the Hydrx Real Property are a charge/mortgage in favour of Aphria Inc. and a series of transfers of the charge from Aphria to Cobra, Cobra to Rydan, Rydan back to Cobra and finally Cobra to Windsor. Attached as **Exhibit "C"** to this Affidavit is a copy of the parcel register for the Hydrx Real Property as at March 18, 2021.

28. The explanation for the series of transfers of charge set out above is as follows. The Aphria Secured Debenture is a senior, secured convertible debenture which has a face principal amount of \$11,500,000 (the "**Aphria Secured Debenture**"). With accumulated interest the debt owing under the Aphria Secured Debenture is about \$13 million. Cobra became aware that the Aphria Secured Debenture could be

purchased from Aphria at a considerable discount. Cobra arranged to acquire the Aphria Secured Debenture from Aphria for \$5 million. It is my understanding that the principal direct or indirect shareholders of Cobra at that time were Goldstein and WCE. It is my further understanding that WCE contributed \$2.5 million as share capital to Cobra and Goldstein arranged the financing of \$1.5 million as share capital in Cobra. In order to close the deal with Aphria to acquire the debt owing to Aphria by Hydrx and the security for the debt, Cobra required \$1 million in addition to its available resources. Accordingly, in or about July, 2020, Cobra entered into an agreement with Rydan whereby Rydan agreed to loan \$1 million to Cobra.

29. As will be discussed further below, in or about January 2021, Cobra then entered into a loan agreement with Windsor whereby Windsor agreed to loan Cobra the sum of \$4 million. Once the Windsor deal closed, Cobra paid Rydan the full amount owing to Rydan, namely \$1 million, and Cobra paid WCE, its 50% owner, the sum of \$2.5 million to complete its corporate divorce (see paragraphs 81 to 83 below).

30. I was not privy to any of the shareholding arrangements within Cobra or any of the loan arrangements negotiated by Cobra with either Rydan or Windsor and no board approval was either sought or given by Hydrx despite the fact that these arrangements involved the pledging of Hydrx's assets.

31. Hydrx leases a company delivery truck via Mercedes Benz Finance. The vehicle is a 2016 Sprinter model panel van. The payments under the lease are \$550.00 payable on the 2nd of each month. The term of the lease expires in September of 2021.

Suppliers

32. Hydrx relies on a number of vendors and third-party service providers to operate its business. For instance, security providers, insurance providers and utility providers are all essential to Hydrx's operations. As is further detailed later in this Affidavit, Hydrx has been unable to adequately fund these expenditures and its senior secured lender, Cobra, has instead funded such services on Hydrx's behalf to ensure its continued regulatory compliance.

EXCISE TAX

33. In order to legally sell cannabis production, Hydrx is required to maintain a cannabis Excise Tax License. In paragraph 108 of this Affidavit I describe how Goldstein directed that no steps be taken to renew this license and, but for my

intervention, the requisite renewal application would not have been filed by the deadline of March 16, 2021.

34. A federal excise duty is payable by a licensed cannabis producer under *Excise Act, 2001*, S.C. 2002, c. 22 when the cannabis products they package are delivered to a purchaser. Hydrx pays federal excise tax on a monthly basis in respect of the amount of cannabis product delivered in the prior month.

35. In addition, cannabis producers are required to post security pursuant to the *Excise Act*. The security provides Canada Revenue Agency (“**CRA**”) with financial assurance for any outstanding excise taxes payable. The security can be posted in the form of a surety bond or a deposit with the CRA.

36. The security required to be posted with the CRA is calculated as the highest amount of cannabis duties payable for a calendar month in the previous twelve (12) calendar months. As of the date of this Affidavit, Hydrx has provided a deposit/surety bond through its insurance broker KRGinsure in an amount of \$75,000.00 which bond is continued in force through to August 21, 2021. Attached hereto as **Exhibit “D”** is a Continuation Certificate for Hydrx’s bond with the Guarantee Company of North America. Attached hereto as **Exhibit “E”** is a copy of Hydrx’s insurance policy with KRGinsure.

37. Hydrx has filed its monthly returns with the CRA through March 15, 2021 with no balance outstanding at this time.

Banking Arrangements and Cash Management

38. Hydrx has a total of three (3) bank accounts, all with Royal Bank of Canada (“RBC”):

- (a) RBC CAD chequing account is Hydrx’s main operating account and is used to deposit receipts and pay disbursements;
- (b) RBC USD Account is used for any US dollar transactions; and,
- (c) RBC High interest rate Account is used to manage cash balance and garner interest.

39. The total balance for the 3 RBC accounts is less than \$5,000.

40. I believe that Hydrx also provided corporate credit cards to certain employees but I do not have any information about who received such cards or what they were used for.

Litigation

41. Hydrx is currently subject to three (3) significant legal proceedings:
- (a) On January 19, 2017, Zidane Capital Corp. commenced an action in the Supreme Court of British Columbia against Hydrx for an unspecified amount of damages in relation to a purported breach of an alleged amalgamation agreement between the Plaintiff and Hydrx. Hydrx denies the allegations and has served its defence to the action.
 - (b) On July 27, 2018, Jacob Securities Inc. and Sasha Jacob commenced an action in the Ontario Superior Court of Justice – Commercial List seeking an Order that Scientus Pharma deliver 421,377 shares and 165,239 warrants for shares in Scientus Pharma or alternatively an equivalent amount in monetary damages plus \$162,296.43 in alleged unpaid commissions and \$45,000.00 in alleged unpaid expenses. Scientus Pharma denies the allegations and has served a defence to the action.

(c) On May 8, 2020, The Cadillac Fairview Corporation Limited commenced an action in the Ontario Superior Court of Justice claiming \$1,091,231.55 in damages for an alleged breach of a commercial lease. I am not aware of the current status of this proceeding.

42. I am aware of three (3) other law suits brought by former employees of Hydrx each of which results from the cessation of business operations in March of 2020.

FINANCIAL POSITION OF HYDRX

43. As of the date of the swearing of this Affidavit, Hydrx has not prepared any 2019 or 2020 financial statements. The most recent Trial Balance Report is dated as at October 31, 2020 (the “**Trial Balance Report**”) which demonstrated that Hydrx has current assets of \$2,504,811 and liabilities of \$13,286,979 for a net deficiency of \$10,782,168. Certain information contained in this Trial Balance Report is summarized below. A copy of the Trial Balance Report is attached as **Exhibit “F”**.

44. As of October 16, 2020, the Applicants had only \$4,580.00 cash on hand.

45. I am advised by Timothy Dunn of Minden Gross LLP and verily believe that, for the purposes of the CCAA, a company is insolvent if, among other things:

- (a) the aggregate of its property is not, at a fair valuation, sufficient, or, if disposed of at a fairly conducted sale under legal process, would not be sufficient to enable payment of all its obligations, due and accruing due; or
- (b) it is, for any reason, unable to meet its obligations as they generally become due.

46. In light of the present circumstances, Hydrx is insolvent.

a) Assets

47. As at October 31, 2020, the current assets of Hydrx had a book value of approximately \$2,504,811 and consist of the following:

| Current Assets: \$2,504,811 | |
|------------------------------------|----------------|
| Cash | \$4,580.00 |
| Inventory | \$2,450,000.00 |
| Prepaid Expenses and Deposits | \$29,509.00 |

48. Other assets, including tangible assets, goodwill and real property, plant and production equipment were valued internally at approximately \$60,000,000. Given the passage of time and the cessation of business operations last year, these values

will need to be revisited and cannot be relied upon as an accurate reflection of current asset values.

b) Liabilities

49. As at the date of my affidavit, the recorded liabilities of Hydrx total approximately \$13,300,000 and consist of the following:

| | |
|---|---------------------|
| Current Liabilities: \$13,286,979 | |
| Trades and other accounts payables | \$2,293,253 |
| Secured Convertible debenture | \$11,500,000 |
| Non-current Liabilities: \$7,955,912 | |
| Deferred tax liability | \$7,955,912 |
| Total | \$13,286,979 |

50. I am of the view that in a forced liquidation scenario, the assets of Hydrx are insufficient to satisfy in full its existing liabilities.

Secured Debt

Aphria Secured Debenture

51. On August 14, 2017, Hydrx reached an agreement with Aphria for a subscription agreement which included the Aphria Secured Debenture.

52. The Aphria Secured Debenture originally had a two-year term, bore interest at the rate of 8%, paid semi-annually, was convertible into common shares of Hydrx at a conversion price of \$2.75 per share, and was secured by a first charge over all of the current and future assets, property and undertakings of Hydrx. A copy of the Aphria Secured Debenture is attached hereto as **Exhibit “G”** to my Affidavit.

53. The Aphria Secured Debenture was registered on title to the Hydrx Real Property pursuant to a charge/mortgage registered August 15, 2017 as Instrument No. DR1626830 in the principal amount of \$11,500,000 (the “**Mortgage**”). Attached hereto as **Exhibit “H”** is a copy of the Charge/Mortgage registered August 15, 2017 as Instrument No. DR1626830.

54. The Aphria Secured Debenture was amended to extend its term on August 14, 2019, and again by further amendment on November 14, 2019. Attached hereto and

marked as **Exhibit “I”** is a copy of the Aphria Secured Debenture Amendment Agreement.

55. The intended purpose of the financing by Aphria was to significantly expand Hydrx’s existing partnership with Aphria and to allow Hydrx to complete implementation of its patent pending commercial scale microwave extraction platform, which was an important step toward creating an active pharmaceutical ingredient that could be subsequently formulated into a range of effective dosing forms, and to execute the commercial launch of its first differentiated product.

56. Over the course of 2019, the senior management changed at Aphria and it was decided that Aphria would not exercise its right to convert debt to equity in the capital stock of Hydrx. Accordingly, Hydrx was informed that the debt would need to be paid.

57. On or about January 20, 2020, Aphria demanded repayment of the indebtedness owing to it. Negotiations followed and resulted in the execution of a Support Agreement between Hydrx and Aphria which provided Hydrx until January 31, 2020, to arrange refinancing to repay Aphria.

58. The then management of Hydrx actively pursued alternative financing but was unable to repay Aphria by the time of the expiration of the support arrangements on January 31, 2020.

59. Aphria took no immediate action to enforce its right as a secured creditor and discussions continued in the hope that repayment could be arranged without recourse to an enforcement proceeding.

Enter Goldstein & Cobra

60. In July of 2019, Goldstein was introduced to Hydrx by the former COO of Hydrx, namely, Philip Hemans (“**Hemans**”). Hemans continues to be a contractor to various cannabis entities owned by Goldstein, including Cobra.

61. Hemans facilitated an introduction between Goldstein and a former director of Hydrx who had expiring stock options, namely, Dr. Hance Clarke (“**Clarke**”). Goldstein loaned monies to Clarke so that Clarke could exercise his options and then sell the shares to Goldstein at a discount to the then market price. Goldstein purchased 200,000 shares at \$0.75 per share and 115,000 shares at \$1.30 per share. The share acquisition gave Goldstein a 0.65% ownership interest in the capital stock

of Hydrx. On the date of Goldstein's share acquisition, Hydrx raised \$3.5 million from a private offering at \$3.50 per share.

62. At the time of his equity acquisition, Goldstein was aware that the Aphria Secured Debenture was maturing on August 17, 2019.

63. On or about May 21, 2020, Hemans introduced Goldstein to the then board of directors of Hydrx. Goldstein proposed a transaction that would resolve the financial problems faced by Hydrx. At this time, Hydrx had already defaulted in its obligations to Aphria under the Aphria Secured Debenture and Hemans was aware that active efforts were underway to find refinancing.

64. By email dated May 23, 2020, Goldstein set out his proposal to the Hydrx board and indicated that it would "not be predatory in nature". Goldstein indicated that his intention was to acquire the Aphria Secured Debenture with the costs being rolled into Hydrx without a "lift" in exchange for certain fees and warranties. However, Goldstein required Hydrx to terminate all of its other efforts to raise capital through its own sources.

65. In or around July of 2020, Goldstein, Leo Chamberland ("**Chamberland**"), Chair of WCE and Rosy Mondin ("**Mondin**"), CEO of WCE, came to my house to

put forward a financing proposal whereby Goldstein was described as the “banker”. I understood this to be a reference to his role as an owner, officer and director of First Republic Capital, an investment dealer. Chamberland was known to me as the owner of WCE, a cannabis extraction company. At this time, I was not aware of Goldstein’s ownership interest in Cobra or WCE’s 50% interest in Cobra. In fact, I was not even aware of the entity called Cobra.

66. At this meeting, Goldstein and Chamberland presented a written proposal setting out a transaction structure under which they proposed to proceed in their relationship with Hydrx. The premise of the proposal was that Goldstein and Chamberland collectively would acquire the Aphria Secured Debenture for \$5 million following which, the Hydrx balance sheet and shareholdings would be restructured. The details of this arrangement are summarized in a spreadsheet attached hereto as **Exhibit “J”** and referred to herein as the “July Plan”.

67. The principal elements of the July Plan may be summarized as follows:

- (a) The Aphria Secured Debenture, after being acquired by Goldstein and Chamberland would be converted to equity in Hydrx;

- (b) Goldstein and First Republic (an investment dealer controlled by Goldstein), would raise \$6.5 million of new equity for Hydrx;
- (c) Canntab, a public cannabis company controlled by Goldstein would invest \$3.5 million in new equity for Hydrx; and
- (d) The existing shareholders of Hydrx would be allocated shares in Hydrx.

(collectively, the “**July Plan**”)

In effect, Hydrx’s secured debt (the Aphria Secured Debenture) would be eliminated and Hydrx would be not need to deal with any other parties in order to move forward with the Hydrx expanding business.

The July Plan had the advantage that:

- (a) WCE was a successful operator in the cannabis extraction and manufacturing business and a public company, bringing both financial resources and valuable experience as an “operating partner” to the Hydrx business, including bringing valuable extraction equipment to the Production Facility;

- (b) First Republic is a securities dealer with its own ability to raise the \$6.5 million of additional capital contemplated in the July Plan;
- (c) Goldstein is a director of Canntab, which is also public company in the cannabis industry with the available resources to fulfill its commitment under the July Plan.

68. The July Plan was fundamental to all my future dealings with Goldstein, Chamberland and Mondin on behalf of Hydrx.

69. During the period from July through mid-October, none of the elements of the July Plan were implemented.

70. During the month of September, 2020, all members of the Board of Directors of Hydrx, other than myself, resigned.

71. In or about mid-October, 2020, Goldstein and Chamberland approached me with a request that Goldstein and a representative of WCE be appointed to the Board of Directors of Hydrx. The proposed WCE nominee was Mondin, CEO of WCE. Goldstein and Chamberland continued to represent to me that a re-structuring in the spirit of the July Plan was still being sought.

72. The Aphria Secured Debenture was apparently assigned on or about July 28, 2020, to Cobra for \$5 million (the “**Cobra Security**”) pursuant to an assignment arrangement with Aphria. However, this assignment arrangement was not disclosed to me and the actual registration of the transfer of Charge bearing Instrument No. DR1932365 (the “**Cobra Assignment**”) was not effected until October 2, 2020. Attached hereto as **Exhibit “K”** is a copy of the Transfer of Charge/Mortgage registered October 2, 2020 as Instrument No. DR1932365. My knowledge of the actual assignment date of July 28, 2020 is a result of a reference being made to the same in the demand letter issued by Cobra to Hydrx on December 22, 2020. Contemporaneously with the issuance of this demand for payment, Cobra also issued notices of intention to enforce its security under the *Bankruptcy and Insolvency Act*.

73. On October 1, 2020, WCE issued a press release in which its ownership interest in Cobra was disclosed. The press release also disclosed that Cobra was owned in part by Goldstein. The net effect of these arrangements is that when Goldstein consented to act as a director of Hydrx three weeks later on October 23, 2020, he became simultaneously a director and shareholder of Hydrx as well as its principal secured creditor. Contemporaneously with Goldstein becoming a director, Mondin, CEO of WCE also joined the Hydrx board of directors. At this time, I was perturbed that these disclosures had not been made earlier on when we had

formulated the July Plan but I was still being told by Goldstein that steps were being taken to implement the July Plan.

74. In order to complete its acquisition of the Aphria Secured Debenture, Cobra needed to source an additional amount of \$1 million to close the transaction. Unbeknownst to me, Cobra entered into a loan transaction with Rydan for the \$1 million it was short to complete the transaction with Aphria. As security for the loan, Cobra pledged the assets of Hydrx.

75. I was not consulted nor was Hydrx board approval obtained in respect of the Rydan loan transaction. To this day, I have not been provided with copies of the loan documents. The loan arrangements were negotiated by Goldstein.

76. I understand that Rydan was repaid from the proceeds of the loan that Cobra obtained from Windsor. The parcel page for the Hydrx Real Property and the PPSA Enquiry Response reflect a transfer of the Aphria Secured Debenture by Cobra to Rydan on October 23, 2020, and a transfer back to Cobra by Rydan on January 18, 2021. Attached hereto and marked as **Exhibit "L"** is a copy of the PPSA results dated March 15, 2021.

77. On or about November 11, 2020, Goldstein sent me the email suggesting a “reach-out” to Health Canada regarding compliance issues that would arise from Cobra’s intended CCAA proceeding with respect to Hydrx. This was the first time that I was informed that Cobra may be contemplating a CCAA proceeding for Hydrx. In particular, this intention was not disclosed to me at the time of the appointment of Goldstein and Mondin to the board of Hydrx. Attached hereto and marked as **Exhibit “M”** is a copy of the email.

78. On or about November 17, 2020, I sent an email to Goldstein and Mondin requesting from them a definitive plan in accordance with the July Plan so that the shareholders of Hydrx could be informed as to the affairs of the company. No plan was proffered in response to this request. Attached hereto and marked as **Exhibit “N”** is a copy of the email.

79. On or about December 15, 2020 Goldstein verbally informed me that the July Plan may be in jeopardy since Goldstein and the representatives of WCE (Mondin and Chamberland) had reached an impasse on how to proceed.

80. In December 2020, Cobra and WCE had a falling out and by late January 2021, they parted ways and Cobra became wholly owned by Goldstein. The

particulars of the funding of the corporate divorce between Cobra and WCE are set out below.

Windsor Private Capital

81. As indicated above:

- (a) the Aphria Secured Debebture is owned by Cobra.
- (b) Cobra was originally owned as to 50% by WCE having invested \$2.5 million.
- (c) in addition, Rydan originally had an effective 20% interest in Cobra having invested \$1.0 million.

82. Sometime during December 2020 and January 2021, Goldstein acquired the 50% interest of WCE in Cobra and the 20% interest of Rydan in Cobra. Goldstein financed that acquisition through a loan he obtained from Windsor. After the agreement had been reached, Goldstein provided to me a copy of a commitment letter from Windsor to Cobra. The terms and conditions of the Windsor loan are, in part, as follows:

- (a) Loan facility of \$4 million funded in one advance;

- (b) One year term;
- (c) Fee of 2% of the advancement amount;
- (d) Annual interest rate of 10%;
- (e) Monthly interest-only payments;
- (f) 10% ownership stake in Cobra; and
- (g) Security:
 - (i) Assignment by Cobra of the Aphria Secured Debenture and
 - (ii) Fully perfected first charge mortgage on the Hydrx Real Property with closing to occur no later than January 15, 2021.

Attached hereto and marked as **Exhibit “O”** is the Windsor terms and conditions.

83. Following these transactions, Goldstein became the only or predominant shareholder of Cobra and, as a consequence, the sole or predominant indirect owner of the Aphria Secured Debenture. In other words, Goldstein became the principal secured creditor of Hydrx.

No Board Approval of Significant Transactions

84. With respect to the sale of the \$2,500,000 Cobra ownership interest by WCE to Goldstein, it should be noted that (i) I was not advised, in my capacity as the sole independent director of Hydrx, of that sale (ii) neither Goldstein nor Mondin

requested a meeting of the board of Hydrx to consider the sale by WCE to Goldstein even though Goldstein was a director of Hydrx at the time, and (iii) Hydrx was afforded no opportunity to participate in that transaction.

85. With respect to the sale of the additional \$1,000,000 ownership interest in Cobra sold by Rydan to Goldstein as part of the combined transaction it should be noted that (i) I was not advised, in my capacity as the sole independent director of Hydrx, of that sale (ii) neither Goldstein nor Mondin requested a meeting of the board of Hydrx to consider the sale by Rydan to Goldstein even though Goldstein was a director of Hydrx at the time, and (iii) Hydrx was afforded no opportunity to participate in the Rydan transaction.

86. With respect to the financing transaction with Windsor that facilitated the acquisition by Goldstein of the Cobra ownership interests previously held by WCE and Rydan, it should be noted that as partial consideration for the Windsor loan, Cobra granted WPC a 10% shareholding interest in Cobra. In addition, it should be further noted that (i) I was not advised, in my capacity as the sole independent director of Hydrx, of the Windsor financing transaction (ii) neither Goldstein nor Mondin requested a meeting of the board of Hydrx to consider the Windsor financing transaction (which allowed Goldstein to materially increase his ownership interest in Cobra and thereby the Aphria Secured Debenture) even though Goldstein was a

director of Hydrx at the time, and (iii) Hydrx was afforded no opportunity to participate in that financing transaction.

87. It is particularly noteworthy that, had Goldstein and Mondin advised me and Hydrx of the WPC financing transaction and provided Hydrx an opportunity to match that financing transaction, Hydrx, or an entity affiliated with Hydrx, could have acquired an approximately 80% interest in the +- \$13 million Aphria Secured Debenture for \$4 million. Instead, Goldstein, who at all material times during the planning and execution of these transactions, was a director of Hydrx, usurped that opportunity for his personal benefit.

88. It is my fervent belief that, on behalf of Hydrx, I could have quickly and easily raised the \$4 million that would have been required by Hydrx, or an entity affiliated with Hydrx, to take advantage of the opportunity that was seized by Goldstein and Windsor. Attached hereto and marked as **Exhibit "P"** is a term sheet for a sale and leaseback transaction that was under discussion within the last month or two resulting in the attached. In addition, through my discussions with certain of the shareholders of Hydrx in January of this year, I am satisfied that Hydrx could have quickly raised at least \$2 million of additional financing from shareholders.

89. Indeed, I have an undrawn personal line of credit in the amount of \$5 million that was available at the time of the Windsor opportunity and remains available today. Had I or Hydrx been aware of the opportunity, I would have utilized my personal line of credit to take full advantage of the same for the benefit of Hydrx.

90. If the Windsor opportunity had been properly presented to Hydrx by Goldstein and Mondin, I fervently believe that Hydrx would now be the owner of 80% of the Aphria Secured Debenture and, with the business opportunities currently available to Hydrx (see paragraphs 118 to 123 below), Hydrx would now be a stable entity.

Cobra Makes Demand on Hydrx for Payment

91. By email to me dated January 27, 2021, Chamberland on behalf of WCE wrote, in part, as follows:

- (a) Hydrx owes Cobra approximately \$12.5 million;
- (b) To date, Cobra has not enforced its security but it has made a demand for payment.

Attached hereto and marked as **Exhibit “Q”** is a copy of the email.

92. Goldstein and I began discussing ways to salvage Hydrx.

93. By email dated January 29, 2021, Goldstein wrote to me, in part, as follows:

We have already spoken to Health Canada and it is clear that Hydrx can't transfer its Licenses. The only way not to lose the Licenses is a Plan of Arrangement which we all believe is untenable. Even the CCAA RVO process to preserve the licenses for a buyer would have flushed all creditors...As well, how could the Company fund the cost and time to maintain the facility while all these efforts take place? How long and at what cost? I am the only one that is cutting cheques and I am not prepared to continue doing that without a realistic positive outcome. Putting more money is just throwing more of my limited capital down the drain...At the end of the day, I do not see how there is value beyond Cobra's \$14mm of debt and I am not prepared to continue to fund losses to no end. At this point, there is simply risk and uncertainty in continuing without any realistic prospect of recovery and we need to wind up the existing business which is no longer viable in its current form and monetize the assets and business going forward.

Attached hereto and marked as **Exhibit "R"** is a copy of the email.

94. By email dated February 3, 2021, Goldstein, on behalf of Cobra, laid out a proposal for the creation of a new corporation between Cobra and certain investors being existing shareholders of Hydrx. As part of that proposal, Goldstein proposed as follows:

- (a) Cobra will provide a runway of 30 days within which me (and my investor group) are to raise \$2 million for a new company to be created by Cobra ("**Newco**");
- (b) Cobra will subscribe for 80% of the shares in Newco and shareholders of Hydrx who agree to participate in the

offering and assuming receipt of total subscription of \$2 million, will receive 20% of the shares of Newco;

- (c) The foregoing is based on a debt value of \$10 million of which \$8 million will be allocated to Cobra (being the difference between the present balance owing on the Aphria Secured Debenture assigned to Cobra and the assets and building being retained outside of Newco by Cobra);
- (d) Cobra will cause Hydrx to issue a convertible debenture to Newco which will bear interest at 8% per annum, accruing for the first 12 months and convertible into shares of Hydrx. This debenture will exclude the Hydrx Real Property and equipment which will be owned separately by Cobra.
- (e) Assuming the conversion of the debenture, the resulting shareholders of Hydrx would be as follows:
 - (i) 56% Cobra;
 - (ii) 14% the Investors;
 - (iii) 30% existing Hydrx shareholders and creditors;
- (f) In the event that the funds are not raised, Cobra will proceed, with my consent in my capacity as director of Hydrx, with a receivership.

Attached hereto and marked as **Exhibit "S"** is a copy of the email.

95. At this time, I was desperate to consider any arrangement that may save Hydrx but I was also concerned about the motivation of Goldstein and wary of any collaborative venture.

96. By email to me dated February 21, 2021, Goldstein wrote to me, in part, as follows:

Let me start by saying that the arrangement between Cobra, Windsor, and any other of Cobra's sources of funding is none of your business. The area you really ought to focus on is the accumulating debt of the company for which you are a fiduciary by virtue of your being a Director...

If I may summarize the current situation as my legal team sees it, the shareholders of Hydrx have essentially lost their entire investment – including me, as a private investor in earlier rounds. The same applies to all of the creditors and employees. There is essentially no bargaining position for any unsecured creditor including the lawsuits and the Termination fees. Our recent conversations were based on the investors of Cobra finding the right balance between recognizing their risk when it acquired the debt. Any opportunity discussed had been offered on a purely gratuitous basis in the spirit of getting something to the existing shareholders while obviously preserving the licenses and the tax losses...

Cobra is the secured creditor, period. We purchased Aphria's debt and security and we are entitled to all of the rights thereunder, based on the face value of the debt, and the accrued interest, funding and working capital.

I find myself increasingly aware of the potential conflicts of interest and am discussing with my lawyers and Health Canada the prospect of resigning as soon as practical, likely within the next 14 days, to take effect within 30 days..

In the absence of any commitments for working capital for Hydrx from you, your proposed investor group or any other interested party, Cobra has reached its end in terms of funding the working capital needs of Hydrx.

We believe that a CCAA proposal to the courts funded by Hydrx or some other 3rd party group makes the most sense to find a way to help shareholders participate in the future of the company, and I am looking to you, in the next 10 days, to jointly sign the required documentation to move this forward.

In the absence of a CCAA proposal, Cobra is prepared to install a receiver commencing immediately thereafter. [Emphasis Added]

Attached hereto and marked as **Exhibit “T”** is a copy of the email.

97. Given my misgivings about Goldstein’s conduct, his disregard of his fiduciary duty as a director of Hydrx and a mounting concern that his intentions were not to save Hydrx but to remove Hydrx as competition to either Cobra or Canntab as soon as the regulatory infrastructure could be put in place, I decided to take Goldstein up on his invitation to arrange a group of like-minded individuals to fund a re-start of Hydrx. This group of mostly current stakeholders has already made available funding sufficient to fund all costs shown on the Cash Flow Forecast (the “**Re-Start Group**”) attached to the Pre-Filing Report of the Proposed Monitor (defined below).

98. My misgivings about Goldstein’s motivation have been subsequently borne out. I have recently received a copy of an email dated January 21, 2021, written by Hemans to representatives of Health Canada in which he asks,

“we kindly request that Health Canada provide us with guidance on how the current license of Hydrx can be transferred to Cobra Ventures

(preferred option as this would help avoid further business disruptions) or an indication of how long a new license application would take to process given that the facility and operations (key positions, SOPs, GIPs, etc.) would remain predominantly the same as what has already been approved by Health Canada....". [Emphasis added]

A copy of this email is attached as **Exhibit "U"** to this my Affidavit.

99. In addition, it appears that in response to my continued pressing of Goldstein for evidence of the steps he was taking to implement the July Plan, his key consultant, Hamish Sutherland, sent an email to Goldstein on February 21, 2021 which, in part, reads, "*He [Dom] has a number of days to ponder his next steps.... And, if Dom gets in the way, throw it all at him*" [Emphasis Added] (the "**Sutherland Email**"). The Sutherland Email makes it clear that Goldstein was not acting in good faith toward finding a solution that would benefit Hydrx and its stakeholders despite his claims to me to the contrary. A copy of the Sutherland Email is attached hereto as **Exhibit "V"**.

Other Secured Debt

100. Based upon searches conducted of the Personal Property Security Registration System, the following entities have security interest registrations in respect of Hydrx:

- (1) Mercedes-Benz Financial Services Corporation was respect to the vehicle lease of the company delivery van;
- (2) Rydan is a legacy registration that should be discharged as no debt remains owing to Rydan;
- (3) Royal Bank of Canada with respect to the company credit card;
- (4) Alpine Specialty Chemicals Ltd. with respect to a commercial grade dishwasher purchased for \$25,000.00 and being paid down with monthly payments of \$250.00;
- (5) Cobra with respect to its acquisition of the Aphria Secured Debenture.

101. As well, Ctech Ltd. a company operating out of the United Kingdom, holds a purchase money security interest over an extraction machine located at the Hydrx Real Property. The amount of \$400,000 USD remains owing for the machine. We have reached out to Ctech Ltd. and understand that in the event we ship the machine back to Ctech Ltd., the debt owing to it will be considered as fully paid and satisfied.

Unsecured Indebtedness

102. The unsecured indebtedness of Hydrx is approximately \$2,400,000.

103. Along with the aforementioned obligations, the Applicants' additional unsecured creditors include:

(a) ***Third Party Suppliers:*** Given the nature of its business, Hydrx relies on a number of vendors and third party services and, as such, is party to a number of agreements for the provision of certain essential services including, among other things, insurance, phone and internet, security, utilities, education fees, contractor costs and other miscellaneous services and products provided in connection with operating a business in the cannabis industry.

104. As of the date of this Affidavit, Hydrx is indebted to third party suppliers in the aggregate amount of approximately \$225,000.

CANNABIS EXCISE TAX LICENSE

105. By notice dated January 16, 2021 from the CRA, Hydrx had outstanding arrears under the Cannabis Excise Tax program in the amount of \$27,263.42. Attached hereto and marked as **Exhibit "W"** is a copy of the notice.

106. By letter dated January 20, 2021, from the CRA, Hydrx was advised that its license will expire on April 16, 2021, and that Hydrx's completed renewal

application was required to be filed before March 16, 2021. Attached hereto and marked as **Exhibit “X”** is a copy of the letter.

107. The Cannabis Excise Tax License is required in order to permit the sale of any cannabis product.

108. The license renewal process requires the submission of a business plan, payment of all outstanding taxes and fees, a listing of officers and directors and usually a certain amount of back and forth over several weeks with the CRA.

109. I am advised by Roula J. Sotirakos, the former contractor of Cobra who was responsible for the license renewal, and do verily believe, that she was told by Goldstein not to work on the renewal application as Goldstein intended to put Hydrx into “receivership” and that he would reapply for the license in another entity.

110. In order to preserve the ability of Hydrx to sell cannabis products, I made the necessary arrangements to have the renewal application prepared and submitted to CRA, together with full payment of all arrears. The renewal application was submitted on March 16, 2021. Attached hereto and marked as **Exhibit “Y”** is our exchange of correspondence with the CRA and CRA2 email confirmation that the renewal documents have been forwarded for processing.

HEALTH CANADA CANNABIS LICENSE

111. Hydrx is fully compliant with its regulatory requirements.

112. As it currently stands, the designated responsible person in charge (“**RPIC**”) of the Hydrx’s processing facility is Hemans. Goldstein is the alternate RPIC. The RPIC has the statutory power to lock out any person from the Hydrx Production Facility in order to safeguard the cannabis at the facility.

113. Thomas Jefferd (“**Jefferd**”) is an officer of Hydrx and the current head of security which is a Health Canada designated position and a contractor for Cobra. I am advised by Jefferd and verily believe that:

- (a) Goldstein told him that he intends to take the steps necessary to have Health Canada issue a cannabis license at the Hydrx Real Property in the name of either Cobra or Canntab.
- (b) Goldstein is pressuring Jefferd to sign the required Organizational Security Plan (“**OSP**”) for submission to Health Canada which was due on March 15, 2021. Jefferd has resisted due to his discomfort with the accuracy and adequacy of various of the provisions contained in the proposed OSP including a provision which makes Goldstein the designated “Master Grower” – a position for which he is

seemingly unqualified as he has no previous cannabis cultivation experience.

114. The role of the RPIC is integral to our business.

GOLDSTEIN'S USE OF HYDRX PRODUCTION FACILITY

115. Since at least December 16, 2020, the Hydrx Production Facility and production equipment has only been used by Goldstein for the benefit of Canntab. No production has occurred for the benefit of Hydrx.

116. Goldstein has an ownership interest in and acts as director of other cannabis based corporations, including Canntab. Goldstein has been producing or, at least, attempting to produce, cannabis products at the Hydrx Production Facility for the benefit of his other cannabis corporations.

117. In fact, employees of Canntab, a direct competitor of Hydrx, have been at the Hydrx Production Facility for the purposes of obtaining the required licenses for Canntab including, but not limited to, preparing documentation and packaging machines to perform packing services. The Production Facility maintains entry log information (the "**Entry Log**") and I am informed by Jefferd, and verily believe, that

such Entry Log has recorded numerous attendances by Goldstein and Canntab representatives. A summary of the attendances by Goldstein and Canntab representatives for the period between December 16, 2020 through to March 11, 2021 is attached hereto as **Exhibit “Z”**.

BUSINESS OPPORTUNITIES

118. As previously noted, through my efforts, I have brought together the Re-Start Group that is prepared to fund the restart of Hydrx business operations and to drive value through third party co-packing and the other relationships that will permit Hydrx to meet its liabilities as they come due. Hydrx cannot restart operations and maintain regulatory compliance without the protection of these CCAA proceedings. Hydrx is entering these CCAA proceedings with a financial solution that will permit Hydrx to preserve and protect its licenses and maintain its business as a going concern and maximize value for all stakeholders. The structure of the Court-supervised CCAA proceedings will bring much needed stabilization to the business and provide prospective customers and business partners with the confidence to commit to long term co-packing and other contracts.

119. As evidence of the value of the Hydrx Real Property and its production assets, on March 15, 2021, Edev Inc. delivered a lease back letter of intent for purchasing

the Hydrx Real Property and the production equipment (“**Edev LOI**”). Given the commercial sensitivity of the terms of this Edev LOI, coupled with my concern with Goldstein’s various conflicts of interest and his ongoing breach of his fiduciary obligations as a director of Hydrx, I would ask that the same be subject to a sealing order. Attached hereto and marked as **Exhibit “AA”** is a copy of the Edev LOI.

120. Hydrx has in hand two (2) letters of intention from arms-length partners which, when formalized, will generate gross revenue of \$512,000 for the thirteen (13) week period following the hearing of this Application (collectively, the “**LOIs**”). Attached hereto and marked as **Exhibit “BB”** are copies of the LOIs.

121. The potential annualized revenue associated with these LOIs is approximately \$9,000,000.

122. The revenue generated is from a combination of:

- (a) rental
- (b) rental plus revenue sharing; and
- (c) fee for service.

123. Copies of the LOIs contain sensitive commercial information and I would ask that the same also be subject to a sealing order.

124. As set forth herein, Hydrx is positioned for a successful re-start of operations. The funding necessary to cover all operating costs has been obtained and such costs are set out in the Pre-Filing Report of the Proposed Monitor.

125. Hydrx has a state of the art, turnkey Production Facility and a full suite of cannabis licenses to permit production and sale.

126. The steps I propose taking are the very steps that Goldstein suggested I take in his February 21, 2021 email to me. As previously stated, this email is attached as Exhibit "T". Cobra is not willing to fund Hydrx. My Re-Start Group is prepared to advance its funds to re-start operations and use our industry connections to drive profitability.

127. Goldstein deliberately took no action to renew the cannabis Excise Tax License – without which Hydrx is unable to sell cannabis product. Such failure is entirely consistent with his intention to usurp the assets of Hydrx for the benefit of either Cobra or Canntab and to arrange the transfer of the necessary license for either Cobra or Canntab, or failing that, having acquired the Aphria Secured Debenture for a considerable discount, to use his combined position as a secured creditor and a fiduciary of Hydrx to liquidate Hydrx for personal profit.

128. With a deadlocked board of directors and the ability of a conflicted director to manipulate who is registered as key personnel for regulatory compliance purposes, Hydrx finds itself vulnerable to losing the cannabis licenses it depends upon to re-start its business operations.

URGENT NEED FOR RELIEF

a) Stay of Proceedings

129. Hydrx urgently requires a broad stay of proceedings to prevent enforcement action by, and among, its creditors and other contracting parties. The Stay of Proceedings will stabilize and preserve the Applicants' turnkey status and provide the Applicants with the breathing space they need to effect a restart of its production operations, enter into third party co-packing contracts and the other revenue producing activities outlined in the Contracts. In an effort to preserve the value of the Hydrx business, the granting of the Stay of Proceedings is in the best interests of Hydrx and its stakeholders.

130. In addition, Hydrx requires an Order preserving the current regulatory status quo. Specifically, in order to maintain regulatory compliance, Hydrx requires an Order preventing any changes to the existing licenses, including any changes to the

designated key personnel. However, it is possible that following granting of the requested order, persons registered with Health Canada under Hydrx's *Cannabis Act* licenses may resign those appointments. In that event, Hydrx needs to immediately replace such individuals with qualified appointees who are prepared to fulfill the required regulatory functions on behalf of Hydrx. To deal with that eventuality, Hydrx requires an order permitting Jefferd, Hydrx's current Head of Security to appoint qualified persons to fill any such vacancies in order to allow the Hydrx business to continue in compliance with the Cannabis Act. Jefferd is security cleared and recognized by Health Canada.

b) Proposed Monitor

131. It is proposed that Schwartz Levitsky Feldman, LLP ("**SLF**") will act as the Monitor in the CCAA proceedings if the proposed Initial Order is issued (the "**Proposed Monitor**"). The Proposed Monitor has consented to act as the Monitor (the "**Consent**") on the terms set out in the proposed Initial Order. A copy of the Monitor's Consent is attached hereto as **Exhibit "CC"**.

132. It is customary in CCAA proceedings for an applicant to seek a professional fees charge for the Proposed Monitor and the directors. No such relief is being sought on this Application.

133. The Re-Start Group has agreed to pay all costs set out in the Cash Flow Forecast attached to the Pre-Filing Report of the Monitor for the 10 day period before the Comeback Hearing (the “**Comeback Hearing**”).

134. I note that in order to keep the 10 day period revenue and risk neutral to Cobra/Goldstein, the Re-Start Group has also agreed to pay the *per diem* cost of the monthly loan interest payment that Cobra owes to Windsor.

Cash Flow Projections

135. I understand that a projected consolidated cash flow statement for Hydrx for the 13 week period from the week ending March 19, 2021, to the week ending June 11, 2021 (the “**Cash Flow Forecast**”), will be attached to the pre-filing report of the Proposed Monitor.

136. The Cash Flow Forecast demonstrate that funding is required to provide Hydrx with the required liquidity to return it to operational status, including to meeting its contractor payroll obligations. The Re-Start Group has agreed to provide this funding.

137. The Cash Flow Forecast have been prepared with the assistance of the Proposed Monitor and are accompanied by the prescribed representations in accordance with the CCAA.

SERVICE AND NOTICE

138. Given the limitations imposed on the ability to process and send notices to creditors by physical mails as a result of the COVID-19 pandemic, and the fact that many businesses may not have staff on site to open such mailings, I am seeking the Court's authorization to deliver the notices to known creditors by e-mail instead of physical mail. If we do not have e-mail addresses on file for a particular known creditor, the Proposed Monitor will send a notice by physical mail in the usual manner. In the current circumstances, I believe that the notices are more likely to come to the prompt attention of known creditors if they are sent by e-mail.

CONCLUSION

139. The Initial Order I am seeking is in the best interests of Hydrx as well as the best interests of its secured and unsecured creditors as well as its other stakeholders. The Stay of Proceedings is necessary in order to protect Hydrx from potentially harmful actions by a conflicted and ungovernable director who is the directing mind

of Hydrx's largest secured creditor, to prevent enforcement actions against Hydrx, to allow it to re-start operations and to take advantage of significant new business opportunities. Without the Stay of Proceedings, Hydrx will be unable to create the stable environment necessary to restart and give contract co-parties sufficient confidence to enter into production and other contracts.

140. I believe that a CCAA proceeding is the only viable method in the circumstances to restructure Hydrx's business and effect the transactions necessary for the benefit of all stakeholders, and that the relief sought in the Initial Order is necessary at this time.

141. Similarly, an order is required to preserve the regulatory status quo until the Comeback Hearing. This order will serve to protect and preserve regulatory compliance.

142. If the Initial Order is granted, I intend to return to the Court (the "**Court**") at the Comeback Hearing to seek this Court's approval of a restated Initial Order (the "**Amended and Restated Initial Order**"), which, among other things, would:

- (a) Remove Goldstein as a director of Hydrx;
- (b) Authorize a debtor in possession loan; and

(c) Extend the Stay of Proceedings.

143. I make this Affidavit in support of the herein CCAA Application and for no other or improper purpose.

144. This Affidavit is administered in accordance with O. Reg. 431/20:
Administering Oath or Declaration Remotely:

Location of Commissioner administering the Affidavit: Toronto, ON, Canada
Location of Affiant of the Affidavit at the time of administration: Toronto, ON, Canada

SWORN BEFORE ME in the)
City of Vaughan, in the Province)
of Ontario, this 19th day of)
March, 2021)

DocuSigned by:)
Sepideh Nassabi)
9A5A673DA59E432...)

A Commissioner, etc.

Commissioned by Video Conference
Sepideh Nassabi (LSO# 60139B)

DocuSigned by:)
Domenico Serafino)
E1B4B160E324448...)

DOMENICO SERAFINO

This is **Exhibit "A"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

.....9A5A073DA59E432.....
A Commissioner for Taking Affidavits

Licence No. - N° de licence
LIC-WQZAS68WY2-2020

LICENCE

This licence is issued in accordance with the *Cannabis Act* and *Cannabis Regulations*

LICENCE

Cette licence est délivrée conformément à la *Loi sur le cannabis* et le *Règlement sur le cannabis*

Licence Holder / Titulaire de la licence :
HydRx Farms Ltd.

Licensed Site / Lieu autorisé :
1130 CHAMPLAIN COURT
WHITBY, ON, CANADA, L1N 6K9

The above-mentioned person is authorized to conduct, at the site specified on this licence, the activities listed below for the following licence classes and subclasses:

- Standard Cultivation
- Standard Processing
- Sale for Medical Purposes

La personne susmentionnée est autorisée à effectuer, sur le site spécifié sur cette licence, les activités énumérées ci-dessous pour les catégories et les sous-catégories de licence suivantes:

- Culture standard
- Transformation standard
- Vente à des fins médicales

Indoor Area(s) / Zone(s) intérieure(s)

Building 1

| Activities | Activités |
|--|--|
| <ul style="list-style-type: none"> • to possess cannabis • to obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis • to sell cannabis in accordance with subsection 11(5) of the <i>Cannabis Regulations</i> • to produce cannabis, other than obtain it by cultivating, propagating or harvesting it • to sell cannabis in accordance with subsection 17(5) of the <i>Cannabis Regulations</i> • to sell cannabis products in accordance with section 27 and Part 14, Division 1 of the <i>Cannabis Regulations</i> | <ul style="list-style-type: none"> • avoir du cannabis en sa possession • obtenir du cannabis séché, du cannabis frais, des plantes de cannabis ou des graines provenant de telles plantes par la culture, la multiplication et la récolte de cannabis • vendre du cannabis en vertu du paragraphe 11(5) du <i>Règlement sur le cannabis</i> • produire du cannabis, sauf en l'obtenant par la culture, la multiplication et la récolte • vendre du cannabis en vertu du paragraphe 17(5) du <i>Règlement sur le cannabis</i> • vendre des produits du cannabis en vertu de l'article 27 et la section 1 de la partie 14 du <i>Règlement sur le cannabis</i> |

Outdoor Area(s) / Zone(s) extérieure(s)**Conditions**

| |
|--|
| HydRx Farms Ltd. must meet the requirements set out in the Health Canada document entitled "Mandatory cannabis testing for pesticide active ingredients—Requirements". |
| The only cannabis products that HydRx Farms Ltd. may sell or distribute to (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis topicals; cannabis extracts; and edible cannabis. |
| The only cannabis products that HydRx Farms Ltd. may send or deliver to the purchaser at the request of (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis topicals; cannabis extracts; and edible cannabis. |

Conditions

| |
|--|
| HydRx Farms Ltd. doit respecter les exigences énoncées dans le document de Santé Canada intitulé « Analyse obligatoire du cannabis pour les résidus de principes actifs de pesticides-Exigences ». |
| Les seuls produits du cannabis que HydRx Farms Ltd. peut vendre ou distribuer (i) à un titulaire d'une licence de vente et (ii) à une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1) de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; graines provenant d'une plante de cannabis; cannabis séché; cannabis frais; huile de cannabis; cannabis pour usage topique; extrait de cannabis; et cannabis comestible. |
| Les seuls produits du cannabis que HydRx Farms Ltd. peut expédier ou livrer à l'acheteur à la demande (i) d'un titulaire d'une licence de vente et (ii) d'une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1) de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; graines provenant d'une plante de cannabis; cannabis séché; cannabis frais; huile de cannabis; cannabis pour usage topique; extrait de cannabis; et cannabis comestible. |

Authorized Official, Controlled Substances and Cannabis Branch

Officiel autorisé, Direction générale des substances contrôlées et du cannabis

Effective date of the licence:

This licence is effective as of **September 22, 2020**

Expiry date of the licence:


This licence expires on **September 22, 2023**

Date d'entrée en vigueur de la licence:

Cette licence entre en vigueur à compter du **22 septembre 2020**

Date d'expiration de la licence:

La présente licence expire le **22 septembre 2023**



Authorized Official, Controlled Substances and Cannabis Branch

Officiel autorisé, Direction générale des substances contrôlées et du cannabis

This is **Exhibit "B"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432

.....
A Commissioner for Taking Affidavits



Address Locator 0300A
Ottawa, ON K1A 0K9

LIC- WQZAS68WY2-2020

September 22, 2020

HydRx Farms Ltd.
c/o James William Gibner (Responsible Person)
1130 Champlain Court
Whitby, ON L1N 6K9

Subject: Licence Renewal under the *Cannabis Regulations*

Dear James William Gibner,

We have completed the review of your application in which you requested to renew your licences for standard cultivation, standard processing and sale for medical purposes.

This request has been approved. Please find enclosed the renewed licences for HydRx Farms Ltd. located at 1130 Champlain Court, Whitby, Ontario L1N 6K9. These licences are valid until September 22, 2023. These licences authorize HydRx Farms Ltd. to conduct the activities specified on the licences, only at the site specified on the licences, and in accordance with the conditions set out in the licences.

The site personnel, Directors and Officers associated with your licences are as follows:

Responsible Person

James William Gibner
Phillip Hemans (alternate)

Head of Security

James William Gibner
Thomas Jefferd (alternate)

Quality Assurance Person

Alexandrina Rotaru

Master Grower

Kara Kirsh

Directors and Officers of the licence holder

Har Grover
Ravpreet Grover
Phillip Hemans
Thomas Jefferd



Reminders

As a licence holder, you are responsible for complying with the Cannabis Act and its Regulations. To obtain a copy of the Cannabis Act and its Regulations, please visit the Justice Canada website at: <https://laws-lois.justice.gc.ca/eng/acts/C-24.5/>

Monthly reports from cannabis licence holders are due no later than the 15th of each month for the previous month. Guidance documents on reporting requirements and procedures are available online at: <https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/tracking-system.html>

If you have any questions, please do not hesitate to contact us by email at HC.licensing-cannabis-licences.SC@canada.ca.

Sincerely,

A handwritten signature in black ink, appearing to be 'Mike McGuire', with a stylized flourish extending to the left.

Mike McGuire
A/Director, Licensing & Security Division /
Directeur p.i., Division des licences et de la sécurité
Health Canada / Santé Canada

This is **Exhibit "C"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA69E432

.....
A Commissioner for Taking Affidavits



PARCEL REGISTER (ABBREVIATED) FOR PROPERTY IDENTIFIER

PAGE 1 OF 3
 PREPARED FOR HMOIGAN7
 ON 2021/03/18 AT 13:15:10

LAND REGISTRY OFFICE #40
 26488-0029 (LT)

* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT * SUBJECT TO RESERVATIONS IN CROWN GRANT *

PROPERTY DESCRIPTION: LT 13, PL 871; TOWN OF WHITBY

PROPERTY REMARKS: CORRECTION: INSTRUMENT NUMBER C0185321Z WAS OMITTED FROM THIS PROPERTY IN ERROR AND WAS ADDED AND CERTIFIED ON 1999/05/05 BY TOM CUTLER.
 ESTATE/QUALIFIER: RECENTLY: PIN CREATION DATE: 1997/12/22
 FEE SIMPLE: FIRST CONVERSION FROM BOOK
 LT CONVERSION QUALIFIED CAPACITY SHARE
 OWNERS' NAMES: HYDRX FARMS LTD.

| REG. NUM. | DATE | INSTRUMENT TYPE | AMOUNT | PARTIES FROM | PARTIES TO | CERT/CHKD |
|------------|------------|--------------------|--------|---|------------|-----------|
| | | | | **EFFECTIVE 2000/07/29 THE NOTATION OF THE "BLOCK IMPLEMENTATION DATE" OF 1997/12/22 ON THIS PIN** | | |
| | | | | **WAS REPLACED WITH THE "PIN CREATION DATE" OF 1997/12/22** | | |
| | | | | ** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE 1997/12/19 ** | | |
| | | | | **SUBJECT, ON FIRST REGISTRATION UNDER THE LAND TITLES ACT, TO: | | |
| | | | | SUBSECTION 4(1) OF THE LAND TITLES ACT, EXCEPT PARAGRAPH 11, PARAGRAPH 14, PROVINCIAL SUCCESSION DUTIES * | | |
| | | | | AND ESCHEATS OR FORFEITURE TO THE CROWN. | | |
| | | | | THE RIGHTS OF ANY PERSON WHO WOULD, BUT FOR THE LAND TITLES ACT, BE ENTITLED TO THE LAND OR ANY PART OF | | |
| | | | | IT THROUGH LENGTH OF ADVERSE POSSESSION, PRESCRIPTION, MISDESCRIPTION OR BOUNDARIES SETTLED BY | | |
| | | | | CONVENTION. | | |
| | | | | ANY LEASE TO WHICH THE SUBSECTION 70(2) OF THE REGISTRY ACT APPLIES. | | |
| | | | | **DATE OF CONVERSION TO LAND TITLES: 1997/12/22 ** | | |
| C061993 | 1958/03/20 | BYLAW | | | | C |
| | | | | REMARKS: AMENDING TW19465 | | |
| C0185321Z | 1969/07/04 | REST COV APL ANNEX | | *** DELETED AGAINST THIS PROPERTY *** | | |
| D18ERR321Z | 1969/07/04 | REST COV APL ANNEX | | *** COMPLETELY DELETED *** | | |
| | | | | REMARKS: D185321Z -ERROR ENTRY, CANCELLED BYTOM CUTLER ON 1999/05/05 | | |
| C0187604 | 1969/08/28 | BYLAW | | | | C |
| C0262317Z | 1974/10/28 | REST COV APL ANNEX | | *** COMPLETELY DELETED *** | | |
| D149385 | 1982/12/29 | AGREEMENT | | *** DELETED AGAINST THIS PROPERTY *** | | |

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
 NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.



PARCEL REGISTER (ABBREVIATED) FOR PROPERTY IDENTIFIER

LAND
REGISTRY
OFFICE #40PAGE 2 OF 3
PREPARED FOR HMOIGAN7
ON 2021/03/18 AT 13:15:10

26488-0029 (LT)

* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT * SUBJECT TO RESERVATIONS IN CROWN GRANT *

| REG. NUM. | DATE | INSTRUMENT TYPE | AMOUNT | PARTIES FROM | PARTIES TO | CERT/ CHKD |
|-----------|------------|---|--------|--|--------------------------------------|---------------|
| D296778 | 1988/11/21 | AGREEMENT | | 'D296773' TO | THE CORP OF THE TOWN OF WHITBY | C |
| | | CORRECTIONS: 'REGN. NUMBER' CHANGED FROM 'D296773' TO | | 'D296778' ON 1998/10/22 BY DAVID THOMPSON. | THE CORP. OF THE TOWN OF WHITBY | |
| D310908 | 1989/05/02 | TRANSFER | | *** COMPLETELY DELETED *** | H.A. HORNING INVESTMENTS LIMITED | |
| D330299 | 1989/12/05 | CHARGE | | *** COMPLETELY DELETED *** | THE ROYAL BANK OF CANADA | |
| D357668 | 1991/02/07 | CHARGE | | *** COMPLETELY DELETED *** | ROYAL BANK OF CANADA | |
| | | REMARKS: NOT EXCEEDING \$9,000,000.00 | | | | |
| LT886608 | 1999/02/03 | CHARGE | | *** COMPLETELY DELETED *** | SUN LIFE ASSURANCE COMPANY OF CANADA | |
| LT886609 | 1999/02/03 | ASSIGNMENT GENERAL | | H.A. HORNING INVESTMENTS LTD. | SUN LIFE ASSURANCE COMPANY OF CANADA | |
| | | REMARKS: LT886608 | | *** COMPLETELY DELETED *** | | |
| LT886755 | 1999/02/04 | DISCH OF CHARGE | | H.A. HORNING INVESTMENTS LTD. | SUN LIFE ASSURANCE COMPANY OF CANADA | |
| | | REMARKS: RE: D357668 | | *** COMPLETELY DELETED *** | | |
| LT886756 | 1999/02/04 | DISCH OF CHARGE | | ROYAL BANK OF CANADA | | |
| | | REMARKS: RE: D330299 | | *** COMPLETELY DELETED *** | | |
| LT892705 | 1999/03/29 | APL (GENERAL) | | ROYAL BANK OF CANADA | | |
| | | REMARKS: CO185321Z | | H.A. HORNING INVESTMENTS LIMITED | | |
| LT892706 | 1999/03/29 | APL (GENERAL) | | H.A. HORNING INVESTMENTS LIMITED | | |
| | | REMARKS: CO 262317Z | | *** COMPLETELY DELETED *** | | |
| LT900354 | 1999/05/27 | APL (GENERAL) | | H.A. HORNING INVESTMENTS LIMITED | | |
| | | REMARKS: D149385 | | *** COMPLETELY DELETED *** | | |
| DR812461 | 2009/06/12 | DISCH OF CHARGE | | SUN LIFE ASSURANCE COMPANY OF CANADA | | |
| | | REMARKS: LT886608. | | | | |

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.



LAND
REGISTRY
OFFICE #40

PARCEL REGISTER (ABBREVIATED) FOR PROPERTY IDENTIFIER

PAGE 3 OF 3
PREPARED FOR HMOIGAN7
ON 2021/03/18 AT 13:15:10

26488-0029 (LT)

* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT * SUBJECT TO RESERVATIONS IN CROWN GRANT *

| REG. NUM. | DATE | INSTRUMENT TYPE | AMOUNT | PARTIES FROM | PARTIES TO | CERT/ CHKD |
|-----------|------------|--------------------|--------------|--|---|---------------|
| DR1301285 | 2014/09/19 | TRANSFER | \$3,400,000 | H.A. HORNING INVESTMENTS LIMITED | HYDRX FARMS LTD. | C |
| DR1301289 | 2014/09/19 | CHARGE | | *** COMPLETELY DELETED *** HYDRX FARMS LTD. | H.A. HORNING INVESTMENTS LTD. | |
| DR1427641 | 2015/11/30 | CHARGE | | *** COMPLETELY DELETED *** HYDRX FARMS LTD. | PRECURSOR CAPITAL CORP. | |
| DR1491800 | 2016/07/08 | CONSTRUCTION LIEN | | *** COMPLETELY DELETED *** MAPLERIDGE MECHANICAL CONTRACTING INC. | | |
| DR1507820 | 2016/08/23 | APL DEL CONST LIEN | | *** COMPLETELY DELETED *** MAPLERIDGE MECHANICAL CONTRACTING INC. | | |
| DR1626288 | 2017/08/14 | DISCH OF CHARGE | | *** COMPLETELY DELETED *** PRECURSOR CAPITAL CORP. | | |
| DR1626767 | 2017/08/15 | DISCH OF CHARGE | | *** COMPLETELY DELETED *** H.A. HORNING INVESTMENTS LTD. | | |
| DR1626830 | 2017/08/15 | CHARGE | \$11,500,000 | HYDRX FARMS LTD. | APHRIA INC. | C |
| DR1848498 | 2019/11/20 | NOTICE | | HYDRX FARMS LTD. | APHRIA INC. | C |
| DR1932365 | 2020/10/02 | TRANSFER OF CHARGE | | APHRIA INC. | COBRA VENTURES INC. | C |
| DR1938121 | 2020/10/23 | TRANSFER OF CHARGE | | COBRA VENTURES INC. | RYDAN FINANCIAL INC. | C |
| DR1964611 | 2021/01/18 | TRANSFER OF CHARGE | | RYDAN FINANCIAL INC. | COBRA VENTURES INC. | C |
| DR1964673 | 2021/01/18 | TRANSFER OF CHARGE | | COBRA VENTURES INC. | WINDSOR PRIVATE CAPITAL INC. WINDSOR PRIVATE CAPITAL LIMITED PARTNERSHIP | C |

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

This is **Exhibit "D"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432

.....
A Commissioner for Taking Affidavits



CONTINUATION CERTIFICATE

BOND NUMBER: TM5217511

PRINCIPAL: HYDRX FARMS LTD
1130 CHAMPLAIN CRT
WHITBY, ON L1N 6K9

OBLIGEE: CANADA REVENUE AGENCY, EXCISE DUTY
5800 HURONTARIO ST
MISSISSAUGA, ON L5R 4B4

BOND TYPE: EXCISE BOND

BOND LOCATION: ONTARIO, CANADA

BROKER: KRG INSURANCE BROKERS, A DIVISION OF RRJ INSURANCE GROUP LTD.

BOND AMOUNT: \$75,000.00 **PREMIUM:** \$900.00

FROM: August 1, 2020 **TO:** August 1, 2021

IT IS HEREBY CERTIFIED THAT THE BOND BEARING THE NUMBER AND WITH PARTICULARS AS SHOWN ABOVE IS CONTINUED IN FORCE FOR THE ABOVE PERIOD SUBJECT TO ALL THE TERMS AND CONDITIONS THEREOF, AND UPON THE EXPRESS CONDITION THAT THE COMPANY'S LIABILITY UNDER THE SAID BOND AND ALL CONTINUATIONS SHALL NOT BE CUMULATIVE, AND SHALL IN NO EVENT EXCEED THE AMOUNT STATED IN THE SAID BOND OR AS AMENDED BY ENDORSEMENT.

THE GUARANTEE COMPANY OF NORTH AMERICA

DINA AMARO-ELIAS

April 6, 2020

This is **Exhibit "E"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432

.....
A Commissioner for Taking Affidavits



INSURANCE BINDER

**HYDRX FARMS LTD. AND
SCIENTUS PHARMA INC.
1130 CHAMPLAIN COURT
WHITBY, ON L1N 6K9**



INSURANCE BINDER

Named Insured

**HYDRX FARMS LTD. AND
SCIENTUS PHARMA INC.**

Mailing Address

1130 Champlain Court
Whitby, ON L1N 6K9

Insured Location

1130 Champlain Court
Whitby, ON L1N 6K9

Operations

- Building owner and property management of owned location
- Licensed dealer of controlled substances and manufacturer/distributor of medicinal marijuana under ACMPR. Sales License received May 2019

SEPTEMBER 21, 2020

TORONTO OFFICE
2450 VICTORIA PARK AVE., SUITE 700
TORONTO, ON M2J 4A2
416-636-4544 • 888-888-6667



INSURANCE BINDER

HYDRX FARMS LTD. AND SCIENTUS PHARMA INC.

SECTION I**PROPERTY****Perils Insured**

All Risks of direct physical loss or damage, including the perils of Flood and Earthquake and Sewer Back-up

- Subject to Policy Terms , Conditions and Exclusions

Notable Restrictions / Conditions

War Exclusion

Nuclear / Radioactivity Exclusion

Pollution and Contamination Exclusion (unless from an insured peril)

Mould / Fungi Exclusion

Cyber Virus / Electronic Data Exclusion

Terrorism Exclusion

Deductibles

| | |
|------------------------------------|---------------|
| All Losses | \$ 10,000 |
| | except |
| Sewer Back Up / Flood | 25,000 |
| Earthquake | 5%/50,000 |
| Electronic Data Processing Systems | 10,000 |

Coverage and Limits

| | |
|--|---------------|
| Building | \$ 14,748,527 |
| Equipment | 8,000,000 |
| Stock | 3,411,904 |
| Leaseholds | 25,000 |
| Office Contents | 350,000 |
| Electronic Data Processing Systems | 1,000,000 |
| Extra Expense | 250,000 |
| Auditor's Fees | 1,000,000 |
| Contamination and Infestation Coverage | 500,000 |
| ▪ \$125,000 per Quarter | |



INSURANCE BINDER

HYDRX FARMS LTD. AND SCIENTUS PHARMA INC.

Loss Payable H.A. Hornung Investments Limited
 12 Stanley Court, Unit 4B
 Whitby, ON L1N 8P9
 Interest: Building Owner

Policy Extensions

| | |
|---|-----------|
| Fair Value Basis Endorsement | Included |
| Undeclared Property Extension | \$250,000 |
| Roadways/Parking Lots/Walkways | |
| Fine Arts – not stock | |
| Growing Plants and trees – not stock | |
| Outdoor Signs | |
| Valuable Papers | |
| Accounts Receivable | |
| Operations Extension | 100,000 |
| Builders Risk Deductible | |
| EDP (media and data) | |
| Computer System Breakdown | |
| Consequential Loss Off Premises Power | |
| Condo Unit Loss Assessment for Deductible | |
| Premises Damage by Theft – not owned building | |
| Off Premises Extension | 10,000 |
| Installation Floater | |
| Contents at Unnamed Locations – includes exhibition | |
| Property in Transit | |
| Sales Samples | |
| Claim Recovery Extension | 150,000 |
| Automatic Fire Suppression System | |
| Cost of Preparation of Proof of Loss | |
| Arson Award | |
| Lock Replacement – master key | |
| Extra / Expediting Expenses | |
| Tenant's Leasehold Interest | |
| Debris of Others | |
| Business Expansion Extension | 1,000,000 |
| Newly Acquired Buildings | |
| Newly Acquired Stock and Equipment | |
| Buildings in Course of Construction | |



INSURANCE BINDER

HYDRX FARMS LTD. AND SCIENTUS PHARMA INC.

SECTION II**BOILER & MACHINERY**

**INCLUDING PRESSURE, ELECTRICAL AND ELECTRONIC EQUIPMENT
INCLUDING PRODUCTION MACHINERY**

Coverage and Limits

| | |
|--|-----------------------|
| Limit per Accident (Direct Damage) | \$ 27,785,431 |
| Production Machinery | <i>Included</i> |
| Blanket Limit | 500,000 |
| <ul style="list-style-type: none"> ▪ Ammonia Contamination ▪ Brands and Labels ▪ Errors and Omissions ▪ Fluid Escape ▪ Hazardous Substances ▪ Professional Fees ▪ Research and Development Cost | |
| By-Laws | 1,000,000 |
| Catch All Clause | 50,000 |
| Data Coverage | 100,000 |
| Data Processing Equipment and Media Residence | 100,000 |
| Data Processing Equipment and Media – Off Premises | 100,000 |
| Debris Removal | 50,000 |
| Environmental Upgrade | 250,000 |
| Expediting Expenses | 500,000 |
| Extra Expense | 250,000 |
| Inspection and Approval Cost | 10,000 |
| New Acquired Location | 1,500,000 |
| Stock Spoilage | 1,000,000 |
| Deductibles | |
| Direct Damage & Production Machinery | 5,000 |
| Extra Expense | 5,000 |
| Stock Spoilage | 10,000 or 10% of loss |



INSURANCE BINDER
HYDRX FARMS LTD. AND SCIENTUS PHARMA INC.

SECTION III **CRIME**

Coverage and Limits

| | |
|---|--------------|
| Employee Dishonesty (Form A) | \$ 25,000 |
| Money and Securities | |
| • Inside Loss | 25,000 |
| • Outside Loss | 25,000 |
| Money Orders and Counterfeit Paper Currency | 25,000 |
| Depositors Forgery Coverage | 25,000 |
| Computer Fraud or Funds Transfer Fraud | 25,000 |
| Credit Card Fraud | 25,000 |
| Deductible | 5,000 |



INSURANCE BINDER

HYDRX FARMS LTD. AND SCIENTUS PHARMA INC.

SECTION IV COMMERCIAL GENERAL LIABILITY

Coverage and Limits

| | | |
|--|---------------------------------|--------------|
| Public Liability | <i>each Occurrence</i> | \$ 5,000,000 |
| Products Liability & Completed Operations | <i>each Claim/Aggregate</i> | 5,000,000 |
| Employee Benefits Liability | <i>each Claim/Aggregate</i> | 1,000,000 |
| Tenants Legal Liability | <i>per Occurrence/Aggregate</i> | 1,000,000 |
| Voluntary Medical Payment | <i>per Occurrence/Aggregate</i> | 50,000 |
| SPF 6 - Non-Owned Automobile | <i>per Occurrence</i> | 1,000,000 |
| SEF 94 – Legal Liability for Damage to Hired Autos | <i>per Occurrence</i> | 50,000 |
| Employers Liability | <i>per Accident/Aggregate</i> | 1,000,000 |

Deductibles

| | |
|--|-------|
| Public Liability & Property Damage | 2,500 |
| Products Liability & Completed Operations | 2,500 |
| SPF #6 - Non-Owned Automobile | 1,000 |
| SEF 94 - Legal Liability for Damage to Hired Autos | 500 |
| Tenants Legal Liability | 1,000 |

Estimated Revenue \$ 2,500,000 CDN

**Product Liability &
Completed Operations
Retroactive Date**

September 17, 2017

Endorsements

- SEF 96 Contractual Liability
- SEF 99 – Excluding Long Term Leased Vehicle
- OEF 98B Reduction of Coverage for Lessees or Drivers of Leased Vehicles
- Incidental Medical Malpractice Liability
- Additional Insured (Vendors-Broad Form)



INSURANCE BINDER

HYDRX FARMS LTD. AND SCIENTUS PHARMA INC.

Endorsements - Cont'd . . .

- Contingent Employers Liability
- Territory: Anywhere in the World, excluding USA
- Updated: Health Hazard Exclusion, including Dementia or Alzheimer's disease
- Updated: Cyber Exclusion
- NEW: Electronic Cigarette, related Products and Chemicals Health Exclusion
- NEW: COVID-19 Exclusion – Employers Liability



INSURANCE BINDER

HYDRX FARMS LTD. AND SCIENTUS PHARMA INC.

SECTION V**TERM / POLICY SCHEDULE****Effective**

September 6, 2020 to September 6, 2021

Insurer / Policy No.**Commercial Property**

Economic Insurance Group through SUM Insurance

- Policy No. 40198320

Boiler & Machinery

Aviva Insurance Company

- Policy No. 81836714

Commercial General Liability

Lloyd's Underwriters through SUM Insurance

- Policy No. SUM-LS-11325-004

Annual Premium

| | |
|----------------------|-------------------------------------|
| \$ 100,749.00 | <i>Commercial Property</i> |
| 500.00 | <i>Property Policy Fee</i> |
| 11,193.00 | <i>Boiler & Machinery</i> |
| 7,500.00 | <i>Commercial General Liability</i> |
| <u>225.00</u> | <i>CGL Policy Fee</i> |
| \$ 120,167.00 | Total Premiums & Fees |
| <u>9,613.36</u> | <i>8% ON Tax</i> |
| \$ 129,780.36 | Grand Total |

THIS CONTRACT CONTAINS A CLAUSE(S) THAT MAY LIMIT THE AMOUNT PAYABLE.

Insurance under this binder is subject to all the printed conditions of the standard form of policy in use locally by the Insurer. It is expressly understood that this binder ceases upon the expiry date or at such earlier date as policy of the Insurer is issued in replacement or upon notice of the non-acceptance of the risk by the Insurer.

KRGinsure**A Division of RRJ Insurance Group Limited**

Authorized Representative

You should read your policy carefully, especially the exclusions and conditions. Claims are paid only on the basis of the coverage stipulated in the policy.

This is **Exhibit "F"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

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.....
A Commissioner for Taking Affidavits

HydRx Farms Ltd.

Balance Sheet

As at October 31st,

2020

Assets

Current assets

| | |
|-------------------|------------------|
| Cash | 4,580 |
| Other receivables | 20721.27 |
| Inventories | 2,450,000 |
| deposits | 29,509 |
| | <u>2,504,811</u> |

| | |
|-------------------------------|-------------------|
| Intangible assets | 30,258,033 |
| Goodwill | 16,072,080 |
| Property, plant and equipment | 13,736,752 |
| | <u>60,066,865</u> |
| Total Assets | <u>62,571,676</u> |

Liabilities

Current liabilities

| | |
|--------------------------|--------------------|
| Trade and other payables | -2,293,253 |
| Convertible debentures | -10,993,726 |
| | <u>-13,286,979</u> |

| | |
|------------------------|-------------------|
| Deferred tax liability | <u>-7,955,912</u> |
|------------------------|-------------------|

Shareholders' equity

| | |
|---------------------|--------------------|
| Common shares | -90,409,208 |
| Warrants | -1,975,138 |
| Contributed surplus | -5,448,971 |
| Deficit | 56,504,533 |
| | <u>-41,328,784</u> |

| | |
|-------------------------------------|-------------|
| Liabilities and Shareholders equity | -62,571,675 |
|-------------------------------------|-------------|

0

This is **Exhibit "G"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A873DA58E432

.....
A Commissioner for Taking Affidavits

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF: (A) AUGUST 14, 2017; (B) THE DATE THE CORPORATION BECOMES A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

\$11,500,000

HYDRX FARMS LTD.

**8% SENIOR SECURED CONVERTIBLE DEBENTURE
DUE AUGUST 14, 2019**

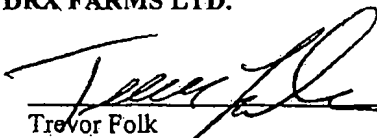
HydRx Farms Ltd. (the "Corporation") for value received hereby acknowledges itself indebted and promises to pay to Aphria Inc. (the "Holder") on August 14, 2019 (the "Maturity Date"), or on such earlier date as the principal amount hereof may become due in accordance with the provisions of this Debenture, the principal sum of \$11,500,000 on presentation and surrender of this Debenture at the offices of the Corporation in Whitby, Ontario and, subject as hereinafter provided, to pay interest on the principal amount hereof from the date hereof at the rate of 8% per annum in accordance with the terms of Schedule "A".

This Debenture is issued pursuant to a subscription agreement dated August 14, 2017 between the Corporation and the Holder (the "Subscription Agreement") and is subject to the terms and conditions set out in Schedule "A" hereto which are incorporated herein and constitute a part hereof. Unless the context otherwise requires capitalized expressions herein shall have the meanings ascribed to them in the Subscription Agreement or in Schedule "A" hereto.

IN WITNESS WHEREOF the Corporation has caused this Debenture to be signed by its authorized representatives as of the 14 day of August, 2017.

HYDRX FARMS LTD.

By: _____


Trevor Folk
Chief Executive Officer

SCHEDULE "A"

The following terms and conditions are applicable to the \$11,500,000 8% Senior Secured Convertible Debenture, due August 14, 2019:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Debenture, unless there is something in the subject matter or context inconsistent therewith, the expressions following shall have the following meanings, namely:

- (a) "**Act**" means the *Securities Act* (Ontario), as such legislation may be amended, supplemented or replaced from time to time;
- (b) "**Business Day**" means any day other than a Saturday, Sunday or any other day that Canadian chartered banks are not generally open for business in Toronto, Ontario;
- (c) "**Change of Control**" means:
 - (i) a transaction whereby property constituting all or substantially all of the assets of the Corporation are sold, in one or more related transactions, to any Person or to a combination of Persons; or
 - (ii) an event or series of events (whether a share purchase, amalgamation, merger, reorganization, arrangement, consolidation or other business combination or otherwise), by which any Person becomes the "beneficial owner" (as defined in Section 1(5) of the Act) directly or indirectly of fifty-one percent (51%) or more of the combined voting power of the then outstanding securities of the Corporation.

provided that, a Change of Control does not include: (i) a Public Offering; (ii) a reverse takeover following which the shareholders of the Corporation immediately prior thereto own shares (or other securities) of the successor or continuing corporation (or other issuer entity) which would entitle them to cast more than 50% of the aggregate ordinary voting power represented by the outstanding share capital of the successor or continuing corporation (or other issuer entity); or (iii) any other internal reorganization of the Corporation where beneficial ownership of the issued and outstanding Common Shares remains unchanged;

- (d) "**Collateral**" means, as of any particular time, all of the property, undertaking, assets and rights, of the Corporation now owned or hereafter acquired and all of the property and undertaking in which the Corporation now has or hereafter acquires any interest, in each case that is subject to, or intended to be subject to, the Security, and any reference to "Collateral" shall be deemed to be a reference to "**Collateral or any part thereof**" except where otherwise specifically provided and for greater certainty, "**Collateral**" shall include all of the Corporation's:
 - (i) present and after-acquired personal property;
 - (ii) inventory including goods held for sale, lease or resale, goods furnished or to be furnished to third parties under contracts of lease, consignment or service, goods which are raw materials or work in process, goods used in or procured for packing and materials used or consumed in the business of the Corporation;

- (iii) equipment, machinery, furniture, fixtures, plant, vehicles and other goods of every kind and description and all licences and other rights and all related records, files, charts, plans, drawings, specifications, manuals and documents;
- (iv) accounts due or accruing and all related agreements, books, accounts, invoices, letters, documents and papers recording, evidencing or relating to them;
- (v) money, documents of title, chattel paper, financial assets and investment property;
- (vi) intangibles including all security interests, goodwill, choses in action, contracts, contract rights, licenses and other contractual benefits;
- (vii) Intellectual Property; and
- (viii) all proceeds in any form derived directly or indirectly from any dealing with all or any part of the property described in Section 1.1(b)(i) through Section 1.1(b)(vii), inclusive, including the proceeds of such proceeds;

provided that, Collateral does not include consumer goods;

- (e) “**Common Shares**” means the common shares in the capital of the Corporation;
- (f) “**Conversion Date**” has the meaning given to it in Section 4.3(b);
- (g) “**Conversion Notice**” has the meaning given to it in Section 4.3(a);
- (h) “**Conversion Price**” means \$2.75 per Common Share, subject to adjustment pursuant to the terms hereof;
- (i) “**Counsel**” means a barrister or solicitor or firm of barristers or solicitors retained or employed by the Holder or retained or employed by the Corporation and acceptable to the Holder;
- (j) “**Current Market Price**” of any Common Share at any given date means the closing market price of such Common Shares on a Recognized Exchange on such date (provided that if such date is not a Business Day, the Current Market Price shall be deemed to be the closing market price of such Common Shares on a Recognized Exchange on the immediately preceding Business Day);
- (k) “**Debenture**” means this 8% Senior Secured Convertible Debenture, as supplemented, amended, restated, replaced or otherwise modified from time to time;
- (l) “**Default Rate**” means 8% per annum, compounded annually;
- (m) “**Early Conversion Expiry Date**” has the meaning given to it in Section 4.2;
- (n) “**Event of Default**” has the meaning given to it in Section 8.1;
- (o) “**Holder**” or “**holder**” means Aphria Inc. and its successors and permitted assigns;
- (p) “**Intellectual Property**” means domestic and foreign: (i) patents, applications for patents and reissues, divisions, continuations, renewals, extensions and continuations-in-part of patents or patent applications; (ii) proprietary and non-public business information, including inventions (whether patentable or not), invention disclosures, improvements, discoveries, trade secrets, confidential information, know-how, methods, processes, designs, technology, technical data,

schematics, formulae and customer lists, and documentation relating to any of the foregoing; (iii) copyrights, copyright registrations and applications for copyright registration; (iv) mask works, mask work registrations and applications for mask work registrations; (v) designs, design registrations, design registration applications and integrated circuit topographies; (vi) trade names, business names, corporate names, domain names, website names and world wide web addresses, common law trade-marks, trade-mark registrations, trade mark applications, trade dress and logos, and the goodwill associated with any of the foregoing; (vii) computer software and programs (both source code and object code form), all proprietary rights in the computer software and programs and all documentation and other materials related to the computer software and programs; and (viii) any other intellectual property and industrial property;

- (q) **“Issue Date”** means August 14, 2017;
- (r) **“Maturity Date”** means August 14, 2019;
- (s) **“Obligations”** means any and all present and future indebtedness, liabilities and obligations, present or future, direct or indirect, absolute or contingent, matured or unmatured, at any time or from time to time due or accruing due and owing by or otherwise payable by the Corporation to the Holder under this, or in connection with, this Debenture;
- (t) **“Officer’s Certificate”** means a certificate of the Corporation signed by the Chief Executive Officer or Chief Financial Officer of the Corporation, on behalf of the Corporation, in his or her capacity as an officer of the Corporation and not in his or her personal capacity;
- (u) **“Payment Account”** means such account as the Holder may from time to time advise the Corporation in writing;
- (v) **“Person”** includes an individual, corporation, company, partnership, joint venture, association, trust, trustee, unincorporated organization or government or any agency or political subdivision thereof;
- (w) **“Public Offering”** means the sale by the Corporation of Common Shares or other securities to members of the public whereby the Common Shares or securities sold are listed for trading on a Recognized Exchange and the Corporation becomes, if it is not already, a “reporting issuer” (as that term or its equivalent is defined in applicable securities legislation) in any jurisdiction of Canada (or the equivalent in any other jurisdiction);
- (x) **“Recognized Exchange”** means the TSX Venture Exchange, the Toronto Stock Exchange or the Canadian Securities Exchange;
- (y) **“Security”** means the Security Interest granted by the Corporation pursuant to Section 3.1 hereunder and any amendments thereto, and any and all other documents, instruments or agreements to which the Holder is granted or receives a Security Interest pursuant to the terms hereof or thereof;
- (z) **“Security Interest”** means a mortgage, indenture, pledge, deposit by way of security, charge, hypothec, assignment by way of security, security interest, lien (whether statutory, equitable or at common law), title retention agreement, a right of set-off (if created for the purpose of directly or indirectly securing the repayment of money owed), and any other interest in property or assets, howsoever created or arising, that secures payment or performance of an obligation;
- (aa) **“Subscription Agreement”** means the subscription agreement dated as of even date herewith between the Holder, as subscriber, and the Corporation; and

- (bb) **“Time of Expiry”** has the meaning given to it in Section 4.1.

1.2 Meaning of “Outstanding”

This Debenture shall be deemed to be outstanding until the later of the date on which:

- (a) monies or securities for the payment of all amounts owing to the Holder hereunder shall have been paid and delivered to the Holder whether on, after or prior to the Maturity Date; and
- (b) the obligations of the Corporation hereunder shall have been duly performed as herein contemplated, or otherwise discharged to the satisfaction of the Holder, acting reasonably.

1.3 Interpretation

In this Debenture:

- (a) **“this Debenture”**, **“hereto”**, **“herein”**, **“hereby”**, **“hereunder”**, **“hereof”** and similar expressions refer to this Debenture and not to any particular Article, Section, Exhibit, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto;
- (b) words importing the singular number or masculine gender shall include the plural number or the feminine or neuter genders, and vice versa;
- (c) all references to Articles, Schedules, and Exhibits refer, unless otherwise specified, to articles of, schedules to and exhibits to this Debenture;
- (d) all references to Sections refer, unless otherwise specified, to sections, subsections or clauses of this Debenture;
- (e) words and terms denoting inclusiveness (such as “include” or “includes” or “including”), whether or not so stated, are not limited by and do not imply limitation of their context or the words or phrases which precede or succeed them; and
- (f) references herein to a statute or laws include, unless otherwise stated, regulations or rules passed or in force pursuant thereto and any amendments to such statute or to such regulations or rules from time to time, and any legislation, regulations or rules substantially replacing the same or substantially replacing any specific provision to which such reference is made.

1.4 Headings Etc.

The division of this Debenture into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Debenture.

1.5 Day not a Business Day

In the event that any day on or before which any action required to be taken hereunder is not a Business Day, then such action shall be required to be taken on or before the requisite time on the next succeeding day that is a Business Day.

1.6 Governing Law

This Debenture shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract. The Corporation and the Holder irrevocably attorn to the exclusive jurisdiction of the courts of the Province of Ontario, in the City of Toronto.

1.7 Monetary References

Whenever any amounts of money are referred to herein, such amounts shall be deemed to be in lawful money of Canada unless otherwise expressed.

1.8 Invalidity

Any provision hereof which is prohibited or unenforceable shall be ineffective only to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof.

1.9 Successors and Assigns

All covenants and agreements in this Debenture by the Corporation shall bind its Successors and assigns, whether expressed or not.

1.10 Benefits of Debenture

Nothing in this Debenture, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any paying agent and the Holder, any benefit or any legal or equitable right, remedy or claim under this Debenture.

ARTICLE 2 INTEREST AND PAYMENTS

2.1 Payment of Interest

- (a) This Debenture shall bear interest both before and after maturity, default and judgment from and including the Issue Date to the date of repayment in full at the rate of 8% per annum, compounded annually, payable semi-annually in arrears. On June 30 and December 31, in each calendar year (each an "**Interest Payment Date**"), and on the Maturity Date, all unpaid and accrued interest hereunder shall be paid in cash by the Corporation on the applicable Interest Payment Date. Interest on all overdue payments in connection with this Debenture from the date any such payment becomes overdue and for so long as such amount remains unpaid shall also accrue at the rate of 8% per annum, compounded annually.
- (b) Interest for any period of less than six months shall be computed on the basis of a year of 365 days. Whenever interest is computed on a basis of a year (the "**deemed year**") which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.

2.2 Payment of Principal

- (a) On the Maturity Date, the Corporation shall deposit to the Payment Account an amount sufficient to repay all of the Obligations in immediately available funds.

- (b) If and only if the Early Conversion Expiry Date is triggered pursuant to Section 4.2, the Corporation shall thereafter have the right to prepay the principal amount of the Obligations in whole or in part, provided that each such voluntary prepayment be in the minimum principal amount of \$500,000 by providing the Holder with at least 15 Business Days' notice before the date of prepayment). Each such notice shall specify the prepayment date and the principal amount of the Obligations to be prepaid. Prepayments shall be accompanied by accrued interest on the principal amount of the Obligations being prepaid plus an amount equal to the 5% of the principal amount of the Obligations being prepaid.

2.3 Time, Place and Currency of Payment

Payments of the principal amount payable under this Debenture and all other amounts payable by the Corporation pursuant to this Debenture shall be paid in Canadian dollars for value at or before 10:00 a.m. (Toronto time) on the day such amount is due. If any such day is not a Business Day such amount shall be deemed for all purposes of this Debenture to be due on the immediately preceding Business Day. All payments shall be made to the Payment Account.

ARTICLE 3 SECURITY; SENIOR INDEBTEDNESS

3.1 Grant of Security Interest

To secure the payment, performance and satisfaction in full of each and every Obligation, the Corporation hereby (subject to the exceptions contained in Sections 3.3 and 3.4) grants to and in favour of the Holder a Security Interest in and of all the Collateral, of whatever nature and wherever located.

3.2 Attachment

The Corporation acknowledges conclusively that the Corporation and the Holder intend the Security in the Collateral to attach immediately upon the execution of this Debenture, except in the case of Collateral in which the Corporation subsequently acquires rights, in which case, the Security shall attach contemporaneously with the Corporation acquiring rights therein without the need for any further act, deed or consideration. The Security shall be effective and shall attach as of the date hereof whether the monies hereby secured or any part thereof shall become owing by the Corporation before or after or upon the date of execution of this Debenture. The Corporation acknowledges conclusively that (i) value has been given, (ii) it has rights in the Collateral or the power to transfer rights in the Collateral to the Holder (other than after-acquired Collateral), (iii) it has not agreed to postpone the time of attachment of the Security Interest, and (iv) it has received a copy of this Debenture.

3.3 Leases

The last day of any term reserved by any lease, oral or written, or any agreement therefor, now held or hereafter acquired by the Corporation, is hereby excepted out of the Security and does not and shall not form part of the Collateral, but the Corporation shall stand possessed of the reversion remaining in the Corporation of any leasehold premises for the time being demised as aforesaid upon trust to assign and dispose thereof as the Holder shall direct and upon any sale of the leasehold premises, or any part thereof, the Holder, for the purpose of vesting the aforesaid reversion of any such term or any renewal thereof in any purchaser or purchasers thereof, shall be entitled by deed or writing to appoint such purchaser or purchasers or any other Person or Persons as trustee or trustees of the aforesaid reversion of any such term or any renewal thereof in the place of the Corporation and to vest same accordingly in the new trustee or trustees so appointed freed and discharged from any obligation respecting same.

3.4 Contractual Rights and Intellectual Property

In the event the validity and effectiveness of the Security over any of the Collateral requires the consent, approval or waiver of a third Person in order to be effective as against such third Person, the Security with respect to any such Collateral shall be effective as against the Corporation and all Persons other than such third Person and shall be effective as against such third Person when the applicable consent, approval or waiver is obtained, retroactively, to the fullest extent legally possible, to the later of the date hereof or the date such consent, approval or waiver is obtained or becomes effective, as applicable, and until such consent, approval or waiver is obtained, the Corporation shall (subject to the other terms hereof) stand possessed of such Collateral upon trust to assign and dispose thereof as the Holder shall for such purposes direct.

Until the Security Interest is enforceable, the grant of the Security Interest in the Intellectual Property does not affect in any way the Corporation's rights to commercially exploit the Intellectual Property, defend it, enforce the Corporation's rights in it or with respect to it against third parties in any court or claim and be entitled to receive any damages with respect to any infringement of it.

3.5 Liability of the Holder

Neither the Holder nor any receiver shall: (a) be responsible or liable for any debts contracted by it, for damages to Persons or property, for salaries or for non-fulfilment of contracts during any period when the Holder or any receiver shall manage or be in possession of the Collateral; (b) be liable to account as mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any default or omission for which a mortgagee in possession may be liable; (c) be bound to do, observe or perform or to see to the observance or performance by the Corporation of any obligations or covenants imposed upon the Corporation; or (d) in the case of any chattel paper, security or instrument, be obligated to preserve rights against any other Persons. The Corporation hereby waives any provision of applicable law permitted to be waived by it which imposes higher or greater obligations upon the Holder or any receiver than aforesaid.

The Holder has no obligation to protect or preserve any Collateral from depreciating in value or becoming worthless and is released from all responsibility for any loss of value, whether such Collateral is in the possession of, is a security entitlement of, or is subject to the control of, the Holder, the Corporation or any other Person.

3.6 Mandatory Provisions of Applicable Law

Subject to Section 3.7, all rights, remedies, and powers provided herein may be exercised only to the extent that the exercise thereof does not violate any mandatory provision of applicable law and all the provisions of this Debenture are intended to be subject to all mandatory provisions of applicable law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Debenture invalid, unenforceable or not entitled to be recorded, registered or filed under any mandatory provisions of applicable law. Subject to Section 3.7, if any mandatory provision of applicable law shall provide for different or additional requirements than or to those specified herein as prerequisites to or incidental to the realization, sale or foreclosure of the Security or any part thereof, then, to that extent, such laws shall be deemed to have been set forth herein at length, and any conflicting provisions hereof shall be disregarded, and the method of realization, sale or foreclosure of the Security required by any such laws shall, insofar as may be necessary, be substituted herein as the method of realization, sale or foreclosure in lieu of that set forth above. Any provision hereof contrary to mandatory provisions of applicable law shall be deemed to be ineffective and shall be severable from and not invalidate any other provision of this Debenture.

3.7 Waivers of Applicable Laws

To the extent not prohibited by applicable law, the Corporation hereby waives its rights, if any, under all provisions of applicable law that would in any manner, limit, restrict or otherwise affect the Holder's rights and remedies hereunder or impose any additional obligations on the Holder. The Corporation waives the right to receive any notice, financing statement, financing change statement or any verification statement issued by any registry that confirms registration of a requisite notice or financing statement relating to this Debenture.

3.8 Further Assurances

- (a) The Corporation hereby covenants and agrees that it will at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, mortgages, security agreements, debentures, transfers, assignments and assurances as the Holder may reasonably require for better accomplishing and effectuating the purpose of this Debenture as a result of a change in applicable law or otherwise, including the execution and delivery of debentures or other agreements supplemental hereto more particularly describing the Collateral or to correct or amplify the description of the Collateral or to better assure, convey and confirm unto the Holder any of the Collateral. Upon the execution of any supplemental debentures or other agreements under this Section, this Debenture shall be modified in accordance therewith, and each such supplemental documents shall form part of this Debenture for all purposes.
- (b) The Corporation agrees to deliver from time to time to the Holder any financing statements, continuation statements, extension agreements and other documents, properly completed and executed (and acknowledged when required) by such Persons in form and substance reasonably satisfactory to the Holder, which the Holder requests for the purpose of perfecting, confirming, or protecting any Security Interest or other rights in any property securing any Obligations in respect of this Debenture.
- (c) The Corporation will furnish to the Holder from time to time such statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Holder may reasonably request, all to the extent necessary to permit the Collateral to be sufficiently described.

3.9 Discharge; Partial Release

- (a) Subject to the provisions of Article 9, upon the full and final payment and performance of the Obligations in respect of this Debenture, the rights hereby granted in respect of this Debenture shall, at the request of the Corporation, be terminated and thereupon the Holder shall at the reasonable request and at the expense of the Corporation cancel and discharge the Security in respect of this Debenture and execute and deliver to the Corporation such deeds and other instruments as the Corporation may reasonably require to cancel and discharge the Security. Further, this Debenture shall continue to be effective or be reinstated, as the case may be, if for any reason at any time any payment or performance of the Obligations, or any part thereof, is rescinded, reversed, nullified, rendered void or voidable or such payment must otherwise be restored, refunded, returned or reimbursed by the Holder.
- (b) No postponement or partial release or discharge of the Security in respect of all or any part of the Collateral shall in any way operate or be construed so as to release and discharge the Security except as therein specifically provided, or so as to release or discharge the Corporation from its liability to fully pay and satisfy the Obligations.

3.10 Obligations Absolute

Nothing in this Debenture contained shall detract from or limit the absolute obligation of the Corporation to make payment of all monies owing hereunder at the time and in the manner provided in this Debenture and to perform or observe any other act or condition which it is required to perform or observe hereunder whether or not the Security is operative, and the rights under this Debenture shall be in addition to and not in substitution for any other Security Interests of any and every character now or hereafter held by the Holder for the Obligations.

3.11 Senior Debt

- (a) For all purposes of this Debenture "**Junior Indebtedness**" means all indebtedness for money borrowed by the Corporation, whether outstanding on the date of this Debenture or thereafter created or incurred.
- (b) The indebtedness payable under this Debenture, including the principal amount and interest hereunder (such indebtedness being hereinafter referred to as "**Senior Indebtedness**"), shall be senior in right of payment, to the extent and in the manner set forth herein, to the payment in full of all Junior Indebtedness, and the Corporation by its acceptance hereof agrees to and shall be bound by the provisions hereof.
- (c) If and whenever at any time, or from time to time, an event of default has occurred and is continuing uncured under, or in connection with, any Junior Indebtedness or any agreement or instrument relating thereto, and written notice of such event of default has been given by or on behalf of one or more holders of such Junior Indebtedness to the Corporation, no payment on account of the Junior Indebtedness shall be made to such holders and such holders shall not be entitled to receive any payment or benefit whatever on account of the Junior Indebtedness, unless and until the Senior Indebtedness shall have been first paid in full or the Holder shall have consented to such payment on account of the Junior Indebtedness.

ARTICLE 4 CONVERSION OF DEBENTURE

4.1 Voluntary Conversion by Holder

From the date hereof, the Holder shall have the right at such Holder's option, at any time prior to the close of business on the last Business Day immediately preceding the Maturity Date or the Early Conversion Expiry Date (the "**Time of Expiry**"), to convert all or any portion of the principal amount and any accrued and unpaid interest of the Obligations hereunder into that number of fully paid and non-assessable Common Shares that is equal to the quotient obtained by dividing the principal amount and any accrued and unpaid interest the Holder elects to so convert by the Conversion Price then in effect on the Conversion Date. Such right of conversion shall extend only to the maximum number of whole Common Shares into which the aggregate principal amount and any accrued and unpaid interest of this Debenture at any one time may be converted. Fractional interests in Common Shares shall be adjusted for in the manner provided in Section 4.5.

4.2 Early Conversion Expiry

Notwithstanding anything to the contrary contained herein, the Corporation shall have the right to accelerate the Holder's right to convert all or any portion of the principal amount and any accrued and unpaid interest of the Obligations hereunder, into Common Shares in the event that (1) the Common Shares of the Corporation become listed and posted for trading on a Recognized Exchange; and (2) the Current Market Price of the Common Shares equals or exceeds 110% of the Conversion Price then in

effect for a period of 30 consecutive calendar days. The Corporation may, within five days after such an event, provide notice to the Holder of the accelerated expiry and thereafter, the Debenture will be subject to forced conversion and such conversion right shall expire on the date which is 30 days after the date of such notice to the Holder (the "**Early Conversion Expiry Date**"). In the event the Holder elects not to convert the Debenture during on or before the Early Conversion Expiry Date, the Debenture will no longer have any conversion rights attached to it.

4.3 Manner of Exercise of Right to Convert

- (a) The holder of this Debenture desiring to convert this Debenture in whole or in part into Common Shares shall surrender this Debenture to the Corporation at its principal office in Whitby, Ontario together with a conversion notice in the form attached as Exhibit "A" or any other written notice in a form satisfactory to the Corporation acting reasonably (the "**Conversion Notice**"), in either case duly executed by the Holder or its successors or assigns or its or their attorney duly appointed by an instrument in writing, exercising its right to convert this Debenture in accordance with the provisions of this Article 4. Thereupon the Holder, shall be entitled to be entered in the books of the Corporation as at the Conversion Date (or such later date as is specified in Section 4.3(b)) as the holder of the number of Common Shares into which this Debenture is convertible in accordance with the provisions of this Article 4 and, as soon as practicable thereafter, the Corporation shall deliver to the Holder a certificate or certificates for such Common Shares and make or cause to be made any payment of interest to which such Holder is entitled in accordance with Section 4.3(d) hereof and/or in respect of any fractional interests in Common Shares.
- (b) For the purposes of this Article 4, this Debenture shall be deemed to be surrendered for conversion on the date (herein called the "**Conversion Date**") on which it is so surrendered in accordance with the provisions of Section 4.3(a).
- (c) If only a part of this Debenture is converted, the Holder shall, upon the exercise of its right of conversion, surrender this Debenture to the Corporation, and the Corporation shall cancel the same and shall without charge forthwith deliver to the Holder a new Debenture in an aggregate principal amount equal to the unconverted part of the principal amount of this Debenture so surrendered.
- (d) The Holder shall be entitled to receive accrued and unpaid interest in respect thereof up to but excluding the Conversion Date and the Common Shares issued upon such conversion shall rank only in respect of distributions or dividends declared in favour of holders of Common Shares of record on and after the Conversion Date or such later date as such holder shall become the holder of record of such Common Shares pursuant to Section 4.3(b), from which applicable date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

4.4 Adjustment of Conversion Price

The Conversion Price in effect at any date shall be subject to adjustment from time to time as set forth below.

- (a) If and whenever at any time prior to the Time of Expiry the Corporation shall:
 - (i) subdivide or re-divide the outstanding Common Shares into a greater number of Common Shares; or

- (ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of Common Shares;

the Conversion Price in effect on the effective date of such subdivision, re-division, reduction, combination or consolidation, as the case may be, shall in the case of any of the events referred to in (i) and (iii) above be decreased in proportion to the number of outstanding Common Shares resulting from such subdivision or redivision, or shall, in the case of any of the events referred to in (ii) above, be increased in proportion to the number of outstanding Common Shares resulting from such reduction, combination or consolidation. Such adjustment shall be made successively whenever any event referred to in this Section 4.4(a) shall occur.

- (b) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the issuance of options, rights or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than 90 days and not less than 21 days after such record date, to subscribe for or purchase Common Shares (or securities convertible into Common Shares) at a price per share (or having a conversion or exchange price per share) less than 95% of the Current Market Price on such record date, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus a number of Common Shares equal to the quotient obtained by dividing the aggregate price of the total number of additional Common Shares offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible securities so offered) by such Conversion Price per Common Share, and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of additional Common Shares offered for subscription or purchase (or into which the convertible securities so offered are convertible). Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such options, rights or warrants are not so issued or any such options, rights or warrants are not exercised prior to the expiration thereof, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon the number of Common Shares (or securities convertible into Common Shares) actually issued upon the exercise of such options, rights or warrants, as the case may be.
- (c) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the making of a distribution to all or substantially all the holders of its outstanding Common Shares of (i) shares of any class other than Common Shares, (ii) rights, options or warrants (excluding rights, options or warrants entitling the holders thereof for a period of not more than 90 days and not less than 21 days to subscribe for or purchase Common Shares or securities convertible into Common Shares), or (iii) evidences of its indebtedness then, in each such case, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date multiplied by the Conversion Price on such record date, less the fair market value (as determined by the directors of the Corporation, which determination shall be conclusive) of such shares or rights, options or warrants or evidences or indebtedness so distributed, and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by the Conversion Price. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that such distribution is not so made, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon such

shares or rights, options or warrants or evidences of indebtedness or assets actually distributed, as the case may be.

- (d) If and whenever at any time prior to the Time of Expiry, there is a reclassification of the Common Shares or a capital reorganization of the Corporation other than as described in Section 4.4(a) or a consolidation, amalgamation, arrangement or merger of the Corporation with or into any other Person or other entity; or a sale or conveyance of the property and assets of the Corporation as an entirety or substantially as an entirety to any other Person or other entity or a liquidation, dissolution or winding-up of the Corporation, any holder of this Debenture who has not exercised its right of conversion prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance or liquidation, dissolution or winding-up, upon the exercise of such right thereafter, shall be entitled to receive and shall accept, in lieu of the number of Common Shares then sought to be acquired by it, the number of shares or other securities or property of the Corporation or of the Person or other entity resulting from such merger, amalgamation or consolidation, or to which such sale or conveyance may be made or which holders of Common Shares receive pursuant to such liquidation, dissolution or winding-up, as the case may be, that such holder of this Debenture would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance or liquidation, dissolution or winding-up, if, on the record date or the effective date thereof, as the case may be, the holder had been the registered holder of the number of Common Shares sought to be acquired by it and to which it was entitled to acquire upon the exercise of the conversion right. If determined appropriate by the directors of the Corporation, to give effect to or to evidence the provisions of this Section 4.4(d), the Corporation, the Successor, or other entity, as the case may be, shall, prior to or contemporaneously with any such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up, enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Debenture with respect to the rights and interests thereafter of the Holder to the end that the provisions set forth in this Debenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be, with respect to any shares or other securities or property to which the Holder is entitled on the exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation and the Holder pursuant to the provisions of this Section 4.4(d) shall be a supplemental indenture entered into pursuant to the provisions of Section 10.1(a)(i). Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing Person or other entity and the Holder shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 4.4(d) and which shall apply to successive reclassifications, capital reorganizations, amalgamations, consolidations, mergers, sales or conveyances.
- (e) In any case in which this Section 4.4 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the Holder converted after such record date and before the occurrence of such event the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the Conversion Date or such later date as such holder would, but for the provisions of this Section 4.4(e), have become the holder of record of such additional Common Shares pursuant to Section 4.3(b).

- (f) The adjustments provided for in this Section 4.4 are cumulative and shall apply to successive subdivisions, re-divisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of this Section, provided that, notwithstanding any other provision of this Section, no adjustment of the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided however, that any adjustments which by reason of this Section 4.4(f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.
- (g) For the purpose of calculating the number of Common Shares outstanding, Common Shares owned by or for the benefit of the Corporation shall not be counted.
- (h) In case the Corporation shall take any action affecting the Common Shares other than action described in this Section 4.4, which in the opinion of the directors of the Corporation, would materially affect the rights of the Holder, the Conversion Price shall be adjusted in such manner and at such time, by action of the directors of the Corporation, as the directors of the Corporation, in their sole discretion may determine to be equitable in the circumstances. Failure of the directors to make such an adjustment shall be conclusive evidence that they have determined that it is equitable to make no adjustment in the circumstances.
- (i) No adjustment in the Conversion Price shall be made in respect of any event described in Sections 4.4(a), 4.4(b) or 4.4(c), other than the events described in Sections 4.4(a)(i) or 4.4(a)(ii), if the Holder is entitled to participate in such event on the same terms *mutatis mutandis* as if they had converted this Debenture prior to the effective date or record date, as the case may be, of such event.

4.5 No Requirement to Issue Fractional Common Shares

The Corporation shall not be required to issue fractional Common Shares upon the conversion of this Debenture pursuant to this Article 4. The number of whole Common Shares issuable upon conversion of this Debenture shall be computed on the basis of the aggregate principal amount to be converted. If any fractional interest in a Common Share would, except for the provisions of this Section, be deliverable upon such conversion, the Corporation shall, in lieu of delivering any certificate representing such fractional interest, make a cash payment to the Holder of an amount equal to the fractional interest which would have been issuable multiplied by the Conversion Price.

4.6 Corporation to Reserve Common Shares

The Corporation covenants with the Holder that it will at all times reserve and keep available out of its authorized share capital, solely for the purpose of issuing Common Shares upon conversion of this Debenture in the manner set forth in this Article 4, and conditionally allot to Holder who may exercise their conversion rights hereunder, such number of Common Shares as shall then be issuable upon the conversion of this Debenture. The Corporation covenants with the Holder that all Common Shares that shall be so issuable shall be duly and validly issued as fully paid and non-assessable.

4.7 Cancellation of Converted Debenture

Subject to the provisions of Section 4.3 as to conversions in part, upon conversion of this Debenture in accordance with the provision of this Article 4, this Debenture shall be forthwith delivered to and cancelled by the Corporation and no Debenture shall be issued in substitution therefore.

4.8 Certificate as to Adjustment

The Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment of the Conversion Price as provided in Section 4.4, deliver an Officer's Certificate to the Holder specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. The Corporation shall, upon the written request at any time of the Holder, furnish or cause to be furnished to such Holder a similar certificate setting forth all such adjustments and readjustments, the Conversion Price in effect at such time, and the number of Common Shares or the amount, if any, of other securities (as determined under Section 4.4(d)), which at such time would be issuable upon the conversion of this Debenture.

4.9 No Impairment

The Corporation shall not, by amendment of its articles or through any reorganization, transfer of assets, consolidation, merger, amalgamation, arrangement, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance of any of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Article 4 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the Holder against impairment.

4.10 Notice of Special Matters

The Corporation covenants with the Holder that so long as this Debenture remains outstanding, it will give notice to the Holder in the manner provided in Section 11.2 of its intention to fix a record date for any event referred to in Section 4.3(d), (b) or (c) (other than the subdivision, re-division, reduction, combination or consolidation of the Common Shares) which may give rise to an adjustment in the Conversion Price, and, in each case, such notice shall specify the particulars of such event and the record date and the effective date for such event; provided that the Corporation shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than 14 days in each case prior to such applicable record date.

ARTICLE 5 TRANSFER AND REPLACEMENT OF DEBENTURE

5.1 Transfer of the Debenture

Provided an Event of Default has not occurred, and subject to compliance with applicable securities laws, the Holder may, upon receipt of written consent from the Corporation, transfer or assign, in whole or in part, its rights and obligations hereunder to a third party without restriction. Upon the due transfer of this Debenture, the Holder and the transferee shall be entitled to receive, without charge, new certificates substantially in the form hereof representing the applicable principal amounts in respect thereof after giving effect to such transfer, and the Corporation agrees to make such amendments and modifications to such certificates as may be reasonably requested by the Holder and the transferee to give effect to the rights and obligations so transferred or assigned.

5.2 Replacement Debenture

If this Debenture becomes mutilated or is lost, destroyed or stolen, the Corporation shall, without cost but on reasonable terms as to indemnity, issue and deliver, a new debenture of like tenor as the one mutilated, lost, destroyed or stolen in exchange for and in place of and upon cancellation of this Debenture.

ARTICLE 6 COVENANTS OF THE CORPORATION

6.1 Positive Covenants

During the term of this Debenture, the Corporation covenants and agrees with the Holder, that the Corporation shall:

- (a) duly and punctually pay or cause to be paid to the Holder the Obligations on the dates, at the places and in the manner mentioned herein;
- (b) maintain and preserve its existence, organization and status in each jurisdiction of organization and make all corporate and other filings and registrations necessary or advisable in connection therewith;
- (c) comply at all times with applicable laws and all covenants and agreements made by the Corporation in the Subscription Agreement;
- (d) provide the Holder with prompt written notice of the occurrence of any Event of Default; and
- (e) provide the Holder with such other documents, consents, acknowledgments and agreements as are reasonably necessary to implement this Debenture from time to time.

6.2 Negative Covenants

During the term of this Debenture, the Corporation covenants and agrees with the Holder, that the Corporation shall not take any action which conflicts with, results in any breach, violation of or default under (with or without notice or lapse of time or both) any of the Debenture or the Subscription Agreement.

ARTICLE 7 REPRESENTATIONS AND WARRANTIES

7.1 Representations and Warranties

The Corporation hereby represents and warrants to the Holder as follows and acknowledges that the Holder is relying upon the following representations and warranties:

- (a) the Corporation has been duly incorporated and organized and is valid and subsisting under the laws of Canada and has all requisite corporate capacity, power and authority to carry on its business as now conducted and to own, lease and operate its properties and assets;
- (b) the Corporation has full corporate capacity, power and authority to enter into this Debenture and to perform its obligations set out herein (including, without limitation, the issuance of this Debenture and the issuance of Common Shares upon conversion of this Debenture), and this Debenture has been duly authorized, executed and delivered by the Corporation and this Debenture is a legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms, subject to laws relating to creditors' rights generally and except as rights to indemnity may be limited by applicable law;
- (c) this Debenture has been duly and validly issued as fully paid and non-assessable;

- (d) the Corporation is not in default or breach of, and the execution and delivery of, and the performance of and compliance with the terms of this Debenture by the Corporation or any of the transactions contemplated hereby (including, without limitation, the issuance of this Debenture and the issuance of Common Shares upon conversion of this Debenture), does not and will not result in any breach of, or constitute a default under, and does not and will not create a state of facts which, after notice or lapse of time or both, would result in a breach of or constitute a default under: (i) any term or provision of the constating documents of the Corporation; (ii) any resolutions of shareholders or directors (or any committee thereof) of the Corporation; (iii) any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party or by which it is bound; or (iv) any applicable law, which default or breach might reasonably be expected to have a material adverse effect on the Corporation; and
- (e) the Corporation has full power and authority to issue the Common Shares issuable upon conversion of this Debenture and upon issuance thereof in accordance with this Debenture, such Common Shares will, at the time of issue, be duly allotted, validly issued and outstanding as fully paid and non-assessable.

ARTICLE 8 DEFAULT

8.1 Events of Default

Each of the following events constitutes, and is herein sometimes referred to as, an “Event of Default”:

- (a) failure for 30 days to pay interest on the Debentures when due;
- (b) failure to pay principal or premium, if any, on this Debenture when due whether at maturity or otherwise;
- (c) failure to deliver when due all cash and Common Shares or other consideration deliverable upon conversion of this Debenture, which failure continues for 30 days;
- (d) if any of this Debenture or any Security or any material provision of any of the foregoing shall at any time for any reason cease to be in full force and effect, be declared to be void or voidable (and the same is not forthwith effectively rectified or replaced by the Corporation) or shall be repudiated, or the validity or enforceability thereof shall at any time be contested by the Corporation or the Corporation shall deny that it has any or any further liability or obligation thereunder, or at any time it shall be unlawful or impossible for them to perform any of their respective obligations under this Debenture, or the Security;
- (e) if a decree or order of a Court having jurisdiction is entered adjudging the Corporation a bankrupt or insolvent under the *Bankruptcy and Insolvency Act* (Canada), *Companies Creditors Arrangement Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of, the property of the Corporation, or appointing a receiver of, or of any substantial part of, the property of the Corporation or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period equal to 30 days;
- (f) if the Corporation institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada), *Companies Creditors Arrangement Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the

appointment of a receiver of, or of any substantial part of, the property of the Corporation or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due;

- (g) if a resolution is passed for the winding-up or liquidation of the Corporation except in the course of carrying out or pursuant to a transaction in respect of which the conditions of Section 10.1 are duly observed and performed;
- (h) if, after the date of this Debenture, any proceedings with respect to the Corporation are taken with respect to a compromise or arrangement, with respect to creditors of the Corporation generally, under the applicable legislation of any jurisdiction;
- (i) the failure to perform or observe any of the other covenants, agreements or obligations under this Debenture in any material respect for 30 days after written notice of such failure from the Holder to the Corporation or from the Corporation to the Holder; or
- (j) if a Change of Control shall occur.

If such an event shall occur and be continuing, the Holder may, in its discretion, subject to the provisions of Section 8.2, by notice in writing to the Corporation declare the principal of and interest on this Debenture then outstanding and all other monies outstanding hereunder to be due and payable and the same shall forthwith become immediately due and payable to the Holder, and the Corporation shall forthwith pay to the Holder such principal, accrued and unpaid interest and interest at the Default Rate on amounts in default on this Debenture and all other monies outstanding hereunder, together with subsequent interest at the Default Rate on such principal, interest and such other monies from the date of such declaration until payment is received by the Holder, such subsequent interest to be payable at the times and places and in the monies mentioned in and according to the tenor of this Debenture. Such payment when made shall be deemed to have been made in discharge of the Corporation's obligations hereunder.

8.2 Waiver of Default

Upon the happening of any Event of Default hereunder, the Holder of this Debenture shall have the power to waive any Event of Default. No such act or omission of the Holder shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.

8.3 Enforcement by the Holder

If the Corporation shall fail to pay to the Holder, forthwith after the same shall have been declared to be due and payable under Section 8.1, the principal of and interest on this Debenture then outstanding, together with any other amounts due hereunder, the Holder may in its discretion, proceed in its name to obtain or enforce payment of such principal of and interest on this Debenture then outstanding together with any other amounts due hereunder by such proceedings authorized herein or by law or equity as the Holder shall deem expedient.

The Holder shall be entitled and empowered to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Holder allowed in any insolvency, bankruptcy, liquidation or other judicial proceedings relative to the Corporation or its creditors or relative to or affecting its property.

The Holder, upon the occurrence of an Event of Default, the Security Interest becomes and is enforceable against the Corporation and the Holder may, in its absolute discretion, sell or dispose of the Collateral, either as a whole or in separate parcels, by private contract, at public auction, by public tender, by lease or

by deferred payment arrangement. The Holder may make any such sale or disposition of the Collateral either for cash or upon credit and upon such reasonable conditions as to upset or reserve bid or price and terms of payment as it may deem proper; to rescind or vary any contract or sale that may have been entered into and re-sell with or under any of the powers conferred herein; to adjourn such sale from time to time; and to execute and deliver to the purchaser or purchasers of the Collateral or any part thereof, good and sufficient deed or deeds for the same, and any such sale or disposition made as aforesaid shall be a perpetual bar at law and in equity against the Corporation and all other Persons claiming the Collateral or any part or parcel thereof, by, from, through, or under the Corporation. The Holder may become a purchaser at any sale of the Collateral or any part thereof.

The Holder shall also have the power at any time and from time to time to institute and to maintain such suits and proceedings as it may be advised shall be necessary or advisable to preserve and protect its interests and the interests of the Holder.

8.4 Proceeds of Realization

The proceeds of realization or enforcement hereunder or any other amount from time to time received by the Holder or the receiver will be applied as follows: first, to the payment in full of all reasonable fees of the Holder and all reasonable out-of-pocket costs, fees and expenses (including, without limitation, reasonable legal fees on a solicitor and his own client full indemnity basis) incurred by the Holder and any receiver or other enforcement agent appointed by the Holder or a court of competent jurisdiction, as the case may be, in connection with the collection or enforcement of the Obligations owed the Holder, the enforcement of the Security or the preservation of the Collateral; second, in payment to the Holder of the Obligations and other amounts payable hereunder; and third, the balance, if any, will be paid, subject to applicable laws, to the Corporation.

8.5 Remedies Cumulative and Not Exclusive

No right, power or remedy herein conferred upon or reserved to the Holder is intended to be exclusive of any other right, power or remedy, but each and every such right, power or remedy shall be cumulative and shall be in addition to every other right, power or remedy given hereunder or now existing or hereafter to exist by law or by statute. Every right, power and remedy given to the Holder or to a receiver by this Debenture or under applicable laws may be exercised from time to time and as often as may be deemed expedient by the Holder or such receiver, as applicable. In case the Holder shall have proceeded to enforce any right under this Debenture and the proceedings for the enforcement thereof shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Holder, then and in every such case the Corporation and the Holder shall, without any further action hereunder, to the fullest extent permitted by applicable laws, subject to any determination in such proceedings, severally and respectively, be restored to their former positions and rights hereunder and thereafter all rights, remedies and powers of the Holder shall continue as though no such proceeding had been taken.

8.6 Additional Rights

In addition to the remedies set forth in Section 8.3 and elsewhere in this Debenture, whenever the Security Interest is enforceable, the Holder may:

- (a) require the Corporation, at the Corporation's expense, to assemble the Collateral to the extent reasonably practicable at a place or places designated by notice in writing and the Corporation agrees to so assemble the Collateral immediately upon receipt of such notice;
- (b) require the Corporation, by notice in writing, to disclose to the Holder the location or locations of the Collateral and the Corporation agrees to promptly make such disclosure when so required; and

- (c) repair, process, modify, complete or otherwise deal with the Collateral and prepare for the disposition of the Collateral, whether on the premises of the Corporation or otherwise.

8.7 Immunity of Holder and Others

The Holder hereby waives and releases any right, cause of action or remedy now or hereafter existing in any jurisdiction against any past, present or future officer or director of the Corporation or holder of Common Shares or of any successor for the payment of the principal of or interest on any of this Debenture or on any covenant, agreement, representation or warranty by the Corporation herein or in this Debenture contained.

8.8 Judgment Against the Corporation

The Corporation covenants and agrees with the Holder that, in case of any judicial or other proceedings to enforce the rights of the Holder, judgment may be rendered against it in favour of the Holder for any amount which may remain due in respect of this Debenture and the interest thereon and any other monies owing hereunder.

8.9 Receiver

Upon the occurrence of an Event of Default, the Holder may in its absolute discretion, appoint a receiver of the Collateral or any part thereof and upon any such appointment by the Holder the following provisions shall apply:

- (a) such appointment shall be made in writing signed by the Holder and such writing shall be conclusive evidence for all purposes of such appointment; the Holder may from time to time in the same manner remove any receiver so appointed and appoint another in its stead; in making any such appointment the Holder shall be deemed to be acting as the attorney for the Corporation and the Corporation hereby consents to the appointment of a receiver;
- (b) any such appointment may be limited to any part or parts of the Collateral or may extend to the whole thereof;
- (c) every receiver may, in the discretion of the Holder, be vested with all or any of the powers, rights, benefits, discretions, protection and relief of the Holder hereunder and shall be vested with all of the powers and protections afforded to a receiver under applicable law;
- (d) the Holder may from time to time fix the reasonable remuneration of the receiver and direct the payment thereof, in priority to the other Obligations, out of the Collateral, the income therefrom or the proceeds thereof;
- (e) the Holder may from time to time require any receiver to give security for the performance of its duties and may fix the nature and amount thereof, but the Holder shall not be bound to require such security;
- (f) every such receiver may, with the consent in writing of the Holder, borrow money for the purpose of carrying on the business of the Corporation in respect of any part of the Collateral or for the maintenance, protection or preservation of the Collateral or any part thereof, and any receiver may issue certificates (in this Section 8.9 called "**Receiver's Certificates**"), for such sums as will in the opinion of the Holder be sufficient for carrying out the foregoing, and such Receiver's Certificates may be payable either to order or bearer and may be payable at such time or times as the Holder may consider expedient, and shall bear such interest as shall therein be declared and the receiver may sell, pledge or otherwise dispose of the same in such manner as the Holder may

consider advisable and may pay such commission on the sale thereof as the Holder may consider reasonable, and the amounts from time to time payable by virtue of such Receiver's Certificates shall at the option of the Holder form a charge upon the Collateral in priority to this Debenture;

- (g) every receiver shall, regarding its acts or omissions, be deemed the agent of the Corporation and in no event the agent of the Holder and the Holder shall not, in making or consenting to such appointment, incur any liability to any receiver for its remuneration or otherwise howsoever;
- (h) except as may be otherwise directed by the Holder, all monies from time to time received by any receiver shall be paid over to the Holder at the place where this Debenture is payable; and
- (i) the Holder may pay over to any receiver any monies constituting part of the Collateral to the extent that the same may be applied for the purposes hereof by such receiver and the Holder may from time to time determine what funds any receiver shall be at liberty to keep on hand with a view to the performance of its duties as such receiver.

ARTICLE 9 SATISFACTION AND DISCHARGE

9.1 Cancellation and Destruction

This Debenture shall forthwith after payment of all Obligations, be delivered to the Corporation for cancellation and shall be destroyed by the Corporation.

9.2 Discharge

The Holder shall at the written request of the Corporation release and discharge this Debenture and execute and deliver such instruments as it shall be advised by Counsel are requisite for that purpose and to release the Corporation from its covenants herein contained, upon satisfaction or payment of the principal of and interest (including interest on amounts in default, if any), on this Debenture and all other monies payable hereunder or that this Debenture having matured, payment of the principal of and interest (including interest on amounts in default, if any) on this Debenture and of all other monies payable hereunder has been duly and effectually provided for in accordance with the provisions hereof.

9.3 Satisfaction

- (a) The Corporation shall be deemed to have fully paid, satisfied and discharged this Debenture and the Holder shall execute and deliver proper instruments acknowledging the full payment, satisfaction and discharge of this Debenture, when the Corporation has deposited or caused to be deposited with the Holder for the purpose of making payment on this Debenture, an amount in money sufficient to pay, satisfy and discharge the entire amount of principal and interest, if any, to maturity or any repayment date, as the case may be, of this Debenture, and the Corporation has paid, caused to be paid or made provisions to the satisfaction of the Holder for the payment of all other sums payable with respect to all of this Debenture (together with all applicable expenses of the Holder in connection with the payment of this Debenture).
- (b) Upon the satisfaction of the conditions set forth in this Section 9.3, the terms and conditions of this Debenture, including the terms and conditions with respect thereto set forth in this Debenture (other than those contained in Article 2 and the provisions of Article 1 pertaining to Article 2) shall no longer be binding upon or applicable to the Corporation.

ARTICLE 10 SUCCESSORS

10.1 Restrictions on Amalgamation, Merger and Sale of Certain Assets, etc.

The Corporation shall not enter into any transaction or series of transactions whereby all or substantially all of its undertaking, property or assets would become the property of any other Person (herein called a "Successor") whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, unless:

- (a) prior to or contemporaneously with the consummation of such transaction the Corporation and the Successor shall have executed such instruments and done such things as, in the opinion of Counsel, are necessary or advisable to establish that upon the consummation of such transaction:
 - (i) the Successor will have assumed all the covenants and obligations of the Corporation under this Debenture;
 - (ii) this Debenture will be valid and binding obligations of the Successor entitling the Holder thereof, as against the Successor, to all the rights of Holder under this Debenture; and
 - (iii) in the case of an entity organized otherwise than under the laws of the Province of Ontario, shall attach to the jurisdiction of the courts of the Province of Ontario; and
- (b) such transaction shall be on such terms as to substantially preserve and not impair any of the rights and powers of the Holder hereunder; and
- (c) no condition or event shall exist as to the Corporation (at the time of such transaction) or the Successor (immediately after such transaction) and after giving full effect thereto or immediately after the Successor shall become liable to pay the principal monies, premium, if any, interest and other monies due or which may become due hereunder, which constitutes or would constitute an Event of Default hereunder.

10.2 Vesting of Powers in Successor

Whenever the conditions of Section 10.1 shall have been duly observed and performed, any Successor formed by or resulting from such transaction shall succeed to, and be substituted for, and may exercise every right and power of the Corporation under this Debenture with the same effect as though the Successor had been named as the Corporation herein and thereafter, except in the case of a lease or other similar disposition of property to the Successor, the Corporation shall be relieved of all obligations and covenants under this Debenture forthwith upon the Corporation delivering to the Holder an opinion of Counsel to the effect that the transaction shall not result in any material adverse tax consequences to the Corporation or the Successor. The Holder will, at the expense of the Successor, execute any documents which it may be advised by Counsel are necessary or advisable for effecting or evidencing such release and discharge.

ARTICLE 11 NOTICES

11.1 Notice to Corporation

Any notice to the Corporation under the provisions of this Debenture shall be valid and effective if delivered to the Corporation at the following address: 209 Dundas Street East, P.O. Box 31, Whitby, Ontario, Attention: Rav Grover, Email: rgrover@scientuspharma.com or if given by registered letter,

postage prepaid, to such offices and so addressed and if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Corporation may from time to time notify the Holder in writing of a change of address which thereafter, until changed by like notice, shall be the address of the Corporation for all purposes of this Debenture.

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Corporation would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to this Section 11.1, such notice shall be valid and effective only if delivered at the appropriate address in accordance with this Section 11.1.

11.2 Notice to Holder

Any notice to the Holder under the provisions of this Debenture shall be valid and effective if delivered to the Holder at the following address: 265 Talbot Street West, Leamington, Ontario, N8H 4H3 Attention: Chief Financial Officer, Email: carlm@aphria.com, or if given by registered letter, postage prepaid, to such office and so addressed and, if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Holder may from time to time notify the Corporation in writing of a change of address which thereafter, until changed by like notice shall be the address of the Holder to receive notices from the Corporation.

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Holder would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to this Section 11.2, such notice shall be valid and effective only if delivered at the appropriate address in accordance with this Section 11.2.

EXHIBIT "A"

NOTICE OF CONVERSION

TO: HYDRX FARMS LTD. (the "Corporation")

REFERENCE IS MADE TO the 8% Senior Secured Convertible Debenture dated August 14, 2017 of the Corporation in favour of Aphria Inc. (the "Holder") in the original principal amount of \$11,500,000 (the "Debenture"). Capitalized terms used but not defined herein have the respective meanings ascribed to those terms in the Debenture.

THE UNDERSIGNED hereby certifies that it is the current Holder of the Debenture.

THE UNDERSIGNED hereby gives notice of its exercise of its right of conversion pursuant to the Debenture as to \$ _____ principal amount and any accrued and unpaid interest of the Debenture on the basis that the undersigned will receive Common Shares at the current Conversion Price of \$ _____ per Common Share. The undersigned directs that these Common Shares be registered and the share certificate be delivered as follows:

Registration Instructions

Delivery Instructions

(Name of Registered Owner)

(Name)

(Address of Registered Owner)

(Address)

DATED this _____ day of _____, 20____, in the City of _____ in the _____ of _____.

(Print Name of Holder)

By: _____
(Authorized Signatory)

(Print Title & Name of Signatory)

This is **Exhibit "H"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A873DA59E432

.....
A Commissioner for Taking Affidavits

LRO # 40 **Charge/Mortgage**

Registered as DR1626830 on 2017 08 15 at 11:11

The applicant(s) hereby applies to the Land Registrar.

yyyy mm dd Page 1 of 26

Properties

PIN 26488 - 0029 LT Interest/Estate Fee Simple
 Description LT 13, PL 871; TOWN OF WHITBY
 Address 1130 CHAMPLAIN AVENUE
 WHITBY

Chargor(s)

The chargor(s) hereby charges the land to the chargee(s). The chargor(s) acknowledges the receipt of the charge and the standard charge terms, if any.

Name HYDRX FARMS LTD.
 Address for Service 290 Dundas Street East
 P.O. Box 31
 Whitby, Ontario
 L1N 7H8

I, Trevor Folk, and I, Rav Grover, have the authority to bind the corporation.
 This document is not authorized under Power of Attorney by this party.

Chargee(s)

Capacity

Share

Name APHRIA INC.
 Address for Service 263 Talbot Street West
 Leamington, Ontario
 N8H 4H3

Statements

Schedule: THIS CHARGE IS A DEBENTURE

Provisions

Principal \$11,500,000.00 Currency CDN
 Calculation Period SEE SCHEDULE
 Balance Due Date ON DEMAND
 Interest Rate 8% PER ANNUM
 Payments
 Interest Adjustment Date
 Payment Date ON DEMAND
 First Payment Date
 Last Payment Date
 Standard Charge Terms N/A
 Insurance Amount full insurable value
 Guarantor N/A

Additional Provisions

See Schedules

Signed By

Kimberley Anne Newman 199 Bay Street, Suite 5300 acting for Signed 2017 08 15
 Toronto Chargor(s)
 M5L 1B9

Tel 416-869-5500

Fax 416-947-0866

I have the authority to sign and register the document on behalf of the Chargor(s).

Submitted By

STIKEMAN ELLIOTT

199 Bay Street, Suite 5300

2017 08 15

LRO # 40 **Charge/Mortgage**

Registered as DR1626830 on 2017 08 15 at 11:11

The applicant(s) hereby applies to the Land Registrar.

yyyy mm dd Page 2 of 26

Submitted By

Toronto
M5L 1B9

Tel 416-869-5500
Fax 416-947-0866

Fees/Taxes/Payment

| | |
|-----------------------------------|---------|
| <i>Statutory Registration Fee</i> | \$63.35 |
| <i>Total Paid</i> | \$63.35 |

File Number

Chargee Client File Number : 1365461009

This is **Exhibit "I"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432

.....
A Commissioner for Taking Affidavits

DEBENTURE AMENDMENT AGREEMENT

THIS DEBENTURE AMENDMENT AGREEMENT (the “**Agreement**”) is dated effective August 14, 2019.

Between:

HYDRX FARMS LTD. (the “**Corporation**”)

- and -

APHRIA INC. (the “**Holder**”)

WHEREAS the Corporation issued a \$11,500,000 8% senior secured convertible debenture to the Holder dated August 14, 2017 (the “**Debenture**”);

AND WHEREAS the parties desire to amend the terms of the Debenture as set forth in this Agreement;

AND WHEREAS capitalized terms used but not defined in this Agreement shall have the meanings assigned to such terms in the Debenture;

NOW THEREFORE in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. All references to “August 14, 2019” under the definitions of “Maturity Date” are hereby deleted and replaced with “November 12, 2019” and, for greater certainty, all references to the “Maturity Date” in the Debenture shall mean “November 12, 2019”.
2. Section 2.1 is hereby amended by adding a new section (a)(i):

This Debenture shall bear interest both before and after maturity, default and judgement from and including August 14, 2019 to the date of repayment in full at the rate of 12% per annum, compounded annually, payable semi-annually in arrears. Interest on all overdue payments in connection with the Debenture from the date any such payment becomes overdue and for so long as such amount remains unpaid shall also accrue at the rate of 12% per annum, compounded annually.
3. The Corporation and the Holder agree that this Agreement is conditional on the Corporation engaging, on terms satisfactory to the Holder and with immediate effect and at the Corporation’s sole expense, a monitor to report to the Holder on the Corporation’s business and financial affairs as set forth in the engagement letter dated as of the date hereof.
4. The Debenture and this Agreement shall together constitute and be read as one and the same written instrument.
5. Except as otherwise amended by the foregoing, the provisions of the Debenture shall be and continue in full force and effect and are hereby confirmed as of the date hereof.
6. This Agreement enures to the benefit of and binds the parties and their respective successors and permitted assigns.

7. This Agreement is governed by and is to be construed and interpreted in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein.
8. This Agreement may be executed and delivered in any number of original or facsimile counterparts, each of which when executed and delivered shall be considered an original and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF the parties have hereunto executed this Agreement as of the date first written above.

HYDRX FARMS LTD.

Per: _____

APHRIA INC.

Per: _____

This is **Exhibit "J"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

SA5A673DA59E432

.....
A Commissioner for Taking Affidavits

Blue figures are variables

Current Debenture at face value

| | | | |
|---|----|------------|-----|
| Total outstanding at present day | \$ | 11,500,000 | 45% |
| New equity capital into the Company | \$ | 6,500,000 | 25% |
| Amount of equity allocated to the existing shareholders | \$ | 5,000,000 | 19% |
| Amount allocated for senior management severance (max) | \$ | 1,600,000 | 6% |
| Amount allocated for employee severance (max) | \$ | 400,000 | 2% |
| Amount allocated for payables | \$ | 750,000 | 3% |
| | | | 30% |

| | | | |
|--|----|------------|------|
| Total | \$ | 25,750,000 | 100% |
| Accrued interest to date | \$ | 1,500,000 | |
| Additional equity capital to acquire equipment | \$ | 6,000,000 | |
| Interest accrual for one year going forward on face value only | 8% | \$ 920,000 | |
| Total fully diluted | \$ | 34,170,000 | |

| Recipients of the funds | World-Class | Richard's Group | Canntab | New Investors | Shareholders | Severance 1 | Severance 2 | Debt |
|-------------------------------------|---------------|-----------------|--------------|---------------|--------------|--------------|-------------|------------|
| New equity capital - round one | \$ 2,500,000 | \$ 2,500,000 | \$ 1,500,000 | | | | | |
| New equity capital - round two | \$ 3,000,000 | | \$ 3,000,000 | | | | | |
| Conversion of Debenture | \$ 2,500,000 | \$ 2,500,000 | | \$ 6,500,000 | | | | |
| Conversion of Interest | \$ 526,087 | \$ 526,087 | | \$ 1,367,826 | \$ 5,000,000 | | | |
| Allocation to existing shareholders | | | | | | \$ 1,600,000 | | |
| Severance of Senior management | | | | | | | \$ 400,000 | |
| Severance of other employees | | | | | | | | \$ 750,000 |
| Totals fully diluted | \$ 8,526,087 | \$ 5,526,087 | \$ 4,500,000 | \$ 7,867,826 | \$ 5,000,000 | \$ 1,600,000 | \$ 400,000 | \$ 750,000 |
| | \$ 34,170,000 | | | | | | | |

This is **Exhibit "K"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A873DA58E432

.....
A Commissioner for Taking Affidavits

LRO # 40 **Transfer Of Charge**

Registered as DR1932365 on 2020 10 02 at 10:19

The applicant(s) hereby applies to the Land Registrar.

yyyy mm dd Page 1 of 2

Properties

PIN 26488 - 0029 LT
 Description LT 13, PL 871; TOWN OF WHITBY
 Address 1130 CHAMPLAIN AVENUE
 WHITBY

Source Instruments

| Registration No. | Date | Type of Instrument |
|------------------|------------|--------------------|
| DR1626830 | 2017 08 15 | Charge/Mortgage |

Transferor(s)

This transfer of charge affects all lands that the charge is against which are outstanding.

Name APHRIA INC.
 Address for Service 1 Adelaide Street East
 Suite 2310
 Toronto, Ontario
 M5C 2E9

I, Carl Merton, Chief Financial Officer, have the authority to bind the corporation.

This document is not authorized under Power of Attorney by this party.

Transferee(s)

Capacity

Share

Name COBRA VENTURES INC.
 Address for Service c/o Cassels Brock & Blackwell LLP
 Suite 2100, Scotia Plaza
 40 King Street West
 Toronto, Ontario
 M5H 3C2

Statements

The chargee transfers the selected charge for \$2.00 and other good and valuable consideration.

This document relates to registration number(s)DR1626830, DR1848498.

Signed By

| | | | | |
|-------------------------|---|-----------------------------|--------|------------|
| Kwaku Albert Kodie Tabi | 40 King Street West, Suite 2100 Toronto M5H 3C2 | acting for Transferor(s) | Signed | 2020 10 02 |
|-------------------------|---|-----------------------------|--------|------------|

Tel 416-869-5300

Fax 416-360-8877

I have the authority to sign and register the document on behalf of all parties to the document.

| | | | | |
|-------------------------|---|-----------------------------|--------|------------|
| Kwaku Albert Kodie Tabi | 40 King Street West, Suite 2100 Toronto M5H 3C2 | acting for Transferee(s) | Signed | 2020 10 02 |
|-------------------------|---|-----------------------------|--------|------------|

Tel 416-869-5300

Fax 416-360-8877

I have the authority to sign and register the document on behalf of all parties to the document.

Submitted By

| | | |
|-------------------------------|---|------------|
| CASSELS BROCK & BLACKWELL LLP | 40 King Street West, Suite 2100 Toronto M5H 3C2 | 2020 10 02 |
|-------------------------------|---|------------|

Tel 416-869-5300

Fax 416-360-8877

Fees/Taxes/Payment

| | |
|----------------------------|---------|
| Statutory Registration Fee | \$65.05 |
| Total Paid | \$65.05 |

LRO # 40 **Transfer Of Charge**

Registered as DR1932365 on 2020 10 02 at 10:19

The applicant(s) hereby applies to the Land Registrar.

yyyy mm dd Page 2 of 2

| |
|--------------------|
| File Number |
|--------------------|

Transferee Client File Number : 53464-5

This is **Exhibit "L"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432

.....
A Commissioner for Taking Affidavits

RUN NUMBER : 074
RUN DATE : 2021/03/15
ID : 20210315094413.89

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 1
(2543)

THIS IS TO CERTIFY THAT A SEARCH HAS BEEN MADE IN THE RECORDS OF THE CENTRAL OFFICE OF THE PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM IN RESPECT OF THE FOLLOWING:

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : HYDRX FARMS LTD.
FILE CURRENCY : 14MAR 2021

ENQUIRY NUMBER 20210315094413.89 CONTAINS 14 PAGE(S), 5 FAMILY(IES).

THE SEARCH RESULTS MAY INDICATE THAT THERE ARE SOME REGISTRATIONS WHICH SET OUT A BUSINESS DEBTOR NAME WHICH IS SIMILAR TO THE NAME IN WHICH YOUR ENQUIRY WAS MADE. IF YOU DETERMINE THAT THERE ARE OTHER SIMILAR BUSINESS DEBTOR NAMES, YOU MAY REQUEST THAT ADDITIONAL ENQUIRIES BE MADE AGAINST THOSE NAMES.

CYBERBAHN, A THOMSON REUTERS BUSINESS
333 BAY STREET, STE. 400
TORONTO ON M5H 2R2

CONTINUED... 2

CERTIFIED BY/CERTIFIERS PAR
Barbara Powell
REGISTRAR OF
PERSONAL PROPERTY SECURITY/
LE REGISTRATEUR
DES SURETES MOBILIERES
(c)1/5 06/2019



RUN NUMBER : 074
RUN DATE : 2021/03/15
ID : 20210315094413.89

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 2
(2544)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : HYDRX FARMS LTD.
FILE CURRENCY : 14MAR 2021

FORM 10 FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER
767544453

| CAUTION | PAGE | TOTAL | MOTOR VEHICLE | REGISTRATION | REGISTERED | REGISTRATION |
|---------|------|-------|---------------|-------------------------|------------|--------------|
| PLACING | NO. | OF | SCHEDULE | NUMBER | UNDER | PERIOD |
| | 001 | 1 | | 20201109 1608 9234 4149 | P | PSPA 5 |

02 DEBTOR NAME: [REDACTED] DATE OF BIRTH: [REDACTED] FIRST GIVEN NAME: [REDACTED] INITIAL: [REDACTED] SURNAME: [REDACTED]
 03 BUSINESS NAME: HYDRX FARMS LTD. ADDRESS: 1130 CHAMPLAIN COURT, WHITBY, ONTARIO CORPORATION NO. [REDACTED] LIN 6K9

04 DEBTOR NAME: [REDACTED] BUSINESS NAME: [REDACTED] ADDRESS: [REDACTED] FIRST GIVEN NAME: [REDACTED] INITIAL: [REDACTED] SURNAME: [REDACTED]
 05 DEBTOR NAME: [REDACTED] BUSINESS NAME: [REDACTED] ADDRESS: [REDACTED] FIRST GIVEN NAME: [REDACTED] INITIAL: [REDACTED] SURNAME: [REDACTED]
 06 DEBTOR NAME: [REDACTED] BUSINESS NAME: [REDACTED] ADDRESS: [REDACTED] FIRST GIVEN NAME: [REDACTED] INITIAL: [REDACTED] SURNAME: [REDACTED]
 07 DEBTOR NAME: [REDACTED] BUSINESS NAME: [REDACTED] ADDRESS: [REDACTED] FIRST GIVEN NAME: [REDACTED] INITIAL: [REDACTED] SURNAME: [REDACTED]
 08 SECURED PARTY / LIEN CLAIMANT: COBRA VENTURES INC. ADDRESS: 411 CRANBROOKE AVENUE, TORONTO, ON M5M 1N4

| COLLATERAL CLASSIFICATION | CONSUMER | INVENTORY EQUIPMENT ACCOUNTS OTHER | MOTOR VEHICLE | AMOUNT | DATE OF | NO. FIXED |
|---------------------------|----------|------------------------------------|---------------|--------|----------|------------------|
| GOODS | X | X | X | | MATURITY | OR MATURITY DATE |
| 10 | X | X | X | | | |

11 MOTOR VEHICLE: [REDACTED] YEAR MAKE: [REDACTED] MODEL: [REDACTED] VIN: [REDACTED]
 12 GENERAL: [REDACTED]
 13 COLLATERAL: [REDACTED]
 14 DESCRIPTION: [REDACTED]
 15 REGISTRAR: CASSELLS BROCK & BLACKWELL LLP (55002-2/AS)
 16 AGENT: [REDACTED] ADDRESS: SUITE 2100, 40 KING STREET WEST, TORONTO, ON M5H 3C2

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY ***
CONTINUED... 3

CERTIFIED BY/CERTIFIES PAR
Barbara Paschke
 REGISTRAR OF
 PERSONAL PROPERTY SECURITY/
 LE REGISTRATEUR
 DES SURETES MOBILIERES
 (cst/lu 06/2019)



RUN NUMBER : 074
 RUN DATE : 2021/03/15
 ID : 20210315094413.89

PROVINCE OF ONTARIO
 MINISTRY OF GOVERNMENT SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE
 CERTIFICATE

REPORT : PSSR060
 PAGE : 3
 (2545)

TYPE OF SEARCH : BUSINESS DEBTOR
 SEARCH CONDUCTED ON : HYDRX FARMS LTD.
 FILE CURRENCY : 14MAR 2021

FORM IC FINANCING STATEMENT / CLAIM FOR LIES

FILE NUMBER
 735108012

| CAUTION | PAGE | TOTAL | MOTOR VEHICLE | REGISTRATION | REGISTERED | REGISTRATION |
|---------|------|-------|---------------|-------------------------|------------|--------------|
| FILING | NO. | OF | SCHEDULE | NUMBER | UNDER | PERIOD |
| | 001 | 1 | | 20171220 1324 2550 7568 | P PPSA | 04 |

02 DEBTOR NAME
 DATE OF BIRTH
 BUSINESS NAME
 HYDRX FARMS LTD.

FIRST GIVEN NAME
 INITIAL
 SURNAME

03 NAME
 ADDRESS
 1130 CHAMPLAIN COURT

INITIAL
 SURNAME
 WHITBY

ONTARIO CORPORATION NO.
 ON L1N 6K9

04 DEBTOR NAME
 BUSINESS NAME
 ADDRESS

ONTARIO CORPORATION NO.

05 SECURED PARTY / LIEEN CLAIMANT
 ADDRESS
 ALPINE SPECIALTY CHEMICALS LTD.

06 GENERAL COLLATERAL DESCRIPTION
 ADDRESS
 9 CITY VIEW DRIVE

ETOBICOKE ON M9W 5A5

07 MOTOR VEHICLE
 YEAR MAKE MODEL VIN
 CMA EST 44 DISHWASHER SERIAL NO 210001

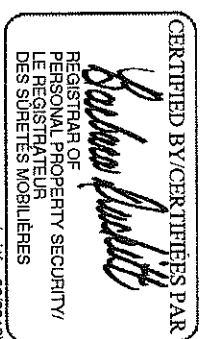
CONSUMER INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MOTOR VEHICLE AMOUNT DATE OF MATURITY OR MATURITY DATE NO. FIXED
 X 5000

08 GENERAL COLLATERAL DESCRIPTION
 ADDRESS
 CMA EST 44 DISHWASHER SERIAL NO 210001

09 REGISTERING AGENT
 ADDRESS

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 4



RUN NUMBER : 074
 RUN DATE : 2021/03/15
 ID : 20210315094413.89

PROVINCE OF ONTARIO
 MINISTRY OF GOVERNMENT SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE
 CERTIFICATE

REPORT : PSSR060
 PAGE : 4
 (2546)

TYPE OF SEARCH : BUSINESS DEBTOR
 SEARCH CONDUCTED ON : HYDRX FARMS LTD.
 FILE CURRENCY : 14MAR 2021

FORM IC FINANCING STATEMENT / CLAIM FOR LEND

FILE NUMBER
 734023998

| CAPTION | PAGE NO. | TOTAL PAGES | MOTOR VEHICLE SCHEDULE | REGISTRATION NUMBER | REGISTERED UNDER | REGISTRATION PERIOD |
|---------|----------|-------------|------------------------|---------------------|------------------|---------------------|
| 01 | 01 | 001 | 20171115 | 1432 1530 7267 | P PPSA | 5 |

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 NAME BUSINESS NAME ADDRESS HYDRX FARMS LTD. 1130 CHAMPLAIN CRT WHITBY ONTARIO CORPORATION NO. ON LN 6K9

04 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

05 NAME BUSINESS NAME ADDRESS ROYAL BANK OF CANADA

06 NAME BUSINESS NAME ADDRESS

07 NAME BUSINESS NAME ADDRESS

08 SECURED PARTY / LEND CLAIMANT ADDRESS 36 YORK MILLS ROAD, 4TH FLOOR TORONTO ON M2P 0A4

09 COLLATERAL CLASSIFICATION CONSUMER INVENTORY EQUIPMENT ACCOUNTS OTHER INCURRED MOTOR VEHICLE AMOUNT DATE OF Maturity OR Maturity DATE NO. FIXED

10 COLLATERAL CLASSIFICATION CONSUMER INVENTORY EQUIPMENT ACCOUNTS OTHER INCURRED MOTOR VEHICLE AMOUNT DATE OF Maturity OR Maturity DATE NO. FIXED

11 MOTOR VEHICLE YEAR MAKE MODEL VIN

12 MOTOR VEHICLE YEAR MAKE MODEL VIN

13 GENERAL COLLATERAL DESCRIPTION

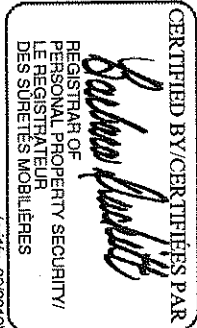
14 GENERAL COLLATERAL DESCRIPTION

15 GENERAL COLLATERAL DESCRIPTION

16 REGISTERING AGENCY ADDRESS 4126 NORLAND AVENUE BURBARY BC V5G 3S8

17 REGISTERING AGENCY ADDRESS 4126 NORLAND AVENUE BURBARY BC V5G 3S8

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***
 CONTINUED... 5



RUN NUMBER : 074
 RUN DATE : 2021/03/15
 ID : 20210315094413.89

PROVINCE OF ONTARIO
 MINISTRY OF GOVERNMENT SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE
 CERTIFICATE

REPORT : PSSR060
 PAGE : 5
 (2547)

TYPE OF SEARCH : BUSINESS DEBTOR
 SEARCH CONDUCTED ON : HYDRX FARMS LTD.
 FILE CURRENCY : 14MAR 2021

FORM 1C FINANCING STATEMENT / CLAIM FOR FEE

00 FEE NUMBER
 730845657

01 CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED REGISTRATION
 FILING NO. OF PAGES SCHEDULE NUMBER UNDER PERIOD
 001 1 1 20170814 1350 9234 1376 P PPSA 4

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME ONTARIO CORPORATION NO.
 NAME BUSINESS NAME HYDRX FARMS LTD. ON L1N 5R7

03 ADDRESS 209 DUNDAS STREET EAST, P.O. BOX 31 WHITBY

04 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME ONTARIO CORPORATION NO.
 NAME BUSINESS NAME APHRIA INC. ON L1N 5R7

05 DEBTOR BUSINESS NAME ADDRESS LEAMINGTON ON N8H 4H3
 NAME BUSINESS NAME 265 PALBOT STREET WEST

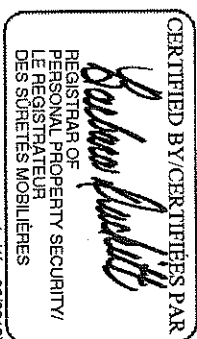
06 SECURED PARTY / GREEN CLAIMANT ADDRESS AMOUNT DATE OF NO. FIXED
 INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURED OR MATURITY DATE

07 GENERAL CLASSIFICATION CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO. FIXED
 GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURED OR MATURITY DATE

08 MOTOR YEAR MAKE MODEL V-T-E-N
 VEHICLE

09 GENERAL SECURITY AGREEMENT
 REGISTERING AGENT STIKEMAN ELLIOTT LLP
 ADDRESS: 5300 COMMERCE COURT WEST 199 BAY ST. TORONTO ON M5L 1B9

10 *** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***
 CONTINUED... 6



(of 10 06/2019)

RUN NUMBER : 074
RUN DATE : 2021/03/15
ID : 20210315094413.89

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 6
(2548)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : HYDRX FARMS LTD.
FILE CURRENCY : 14MAR 2021

FORM 26 FINANCING CHANGE STATEMENT / CHANGE STATEMENT

GADITION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED
FILING No. OF PAGES SCHEDULE NUMBER UNDER
01 001 001 20200727 1535 1862 8205

21 RECORD REFERENCED FILE NUMBER 730845657
PAGE AMENDED NO. SPECIFIC PAGE AMENDED CHANGE REQUIRED RENEWAL CORRECT
REFERENCED X AMENDMENT YEARS PERIOD

22 PREFERENCE DEBTOR/ TRANSFEROR BUSINESS NAME HYDRX FARMS LTD.
FIRST GIVEN NAME SURNAME

23 PREFERENCE DEBTOR/ TRANSFEROR BUSINESS NAME HYDRX FARMS LTD.
FIRST GIVEN NAME SURNAME

25 OTHER CHANGE AMENDED TO REMOVE THE GENERAL COLLATERAL DESCRIPTION AND AMENDED TO
26 REASON/ INCLUDE "MOTOR VEHICLE INCLUDED" TO THE COLLATERAL CLASSIFICATIONS.
27 DESCRIPTION

02/ DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME
03/ TRANSFEREE BUSINESS NAME
04/07 ADDRESS ONTARIO CORPORATION NO.

29 ASSIGNOR REGISTERED PARTY/ALLEN CLAIMANT/ASSIGNER ADDRESS
08 COLLATERAL CLASSIFICATION ADDRESS
09 COLLATERAL CLASSIFICATION ADDRESS

10 MOTOR VEHICLE YEAR MAKE MODEL Y-T-N- DATE OF MANUFACTURE OR MIXTURE DATE NO. FIXED
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED AMOUNT

11 MOTOR VEHICLE YEAR MAKE MODEL Y-T-N- DATE OF MANUFACTURE OR MIXTURE DATE NO. FIXED
12 VEHICLE
13 GENERAL
14 COLLATERAL
15 DESCRIPTION
16 HIRSHBERG AGENT OR ADDRESS PASKEN MARTINEAU DUMOULIN LLP (S. HOGAN/D. SINGH/313721.01356)
17 SECURED PARTY/ ALLEN CLAIMANT ADDRESS 333 BAY STREET, SUITE 2400 TORONTO ON M5H 2Y6

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***
CONTINUED... 7

CERTIFIED BY/CERTIFIES PAR
REGISTRAR OF
PERSONAL PROPERTY SECURITY/
LE REGISTREUR
DES SURETES MOBILIERES
Barbara Purdy
(3/20/ 05/2019)



RUN NUMBER : 074
RUN DATE : 2021/03/15
ID : 20210315094413.89

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 7
(2549)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : HYDRX FARMS LTD.
FILE CURRENCY : 14MAR 2021

FORM 26 FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CAPTION : FILING NO. OF PAGES : 001
NORMAL MOTOR VEHICLE REGISTRATION NUMBER : 20200928 1702 9234 3382
SCHEDULE : 3

21 RECORD REFERENCED FILE NUMBER : 730845657
PAGE AMENDED : NO SPECIFIC PAGE AMENDED
RENEWAL PERIOD : CHANGED REQUIRED D ASSIGNMENT

22 REFERENCE DEBTOR/ TRANSFEROR : BUSINESS NAME : HYDRX FARMS LTD.
FIRST GIVEN NAME : INITIAL : SURNAME

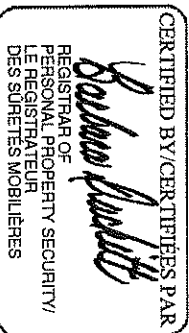
23 OTHER CHANGE REASON/ DESCRIPTION : DATE OF BIRTH : FIRST GIVEN NAME : INITIAL : SURNAME
BUSINESS NAME : ADDRESS : ONTARIO CORPORATION NO.

24 ASSIGNOR : APRIA INC.
SECURED PARTY/LEIN CLAIMANT/ASSIGNEE : GOBRA VENTURES INC.
ADDRESS : C/O CASSELS BROCK & BLACKWELL LLP TORONTO ON M5H 3C2

25 COLLATERAL CLASSIFICATION : GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER ENCLDED AMOUNT MANUFACTURE OR MATURITY DATE
MOTOR VEHICLE : YEAR MAKE MODEL Y-T-N-
NO. FIXED : DATE OF MATURITY DATE

26 MOTOR VEHICLE : GENERAL COLLATERAL DESCRIPTION : REGISTERING AGENT OR SECURED PARTY/LEIN CLAIMANT : ADDRESS : TORONTO ON M5H 3C2
CASSELS BROCK & BLACKWELL LLP (416) 534-64-5)
SUITE 2100, 40 KING STREET WEST

27 *** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY ***
CONTINUED... 8



RUN NUMBER : 074
RUN DATE : 2021/03/15
ID : 20210315094413.89

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 8
(2550)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : HYDRX FARMS LTD.
FILE CURRENCY : 14MAR 2021

FORM 26 FINANCING CHANGE STATEMENT / CHANGE STATEMENT

ADDITIONAL PAGE NO. OF PAGES TOTAL MOTOR VEHICLE REGISTRATION NUMBER REGISTERED NUMBER
002 3 730845657 20200928 1702 9234 3382

21 RECORD REFERENCED FILE NUMBER 730845657
PAGE AMENDED NO SPECIFIC PAGE AMENDED CHANGE REQUIRED RENEWAL PERIOD CORRECT PERIOD

22 REFERENCE BUSINESS NAME FIRST GIVEN NAME INITIAL SURNAME

23 MOTOR/ TRANSFER BUSINESS NAME FIRST GIVEN NAME INITIAL SURNAME

24 OTHER CHANGE REASON/ DESCRIPTION BUSINESS NAME FIRST GIVEN NAME INITIAL SURNAME

25 MOTOR/ TRANSFER BUSINESS NAME FIRST GIVEN NAME INITIAL SURNAME

26 MOTOR/ TRANSFER BUSINESS NAME FIRST GIVEN NAME INITIAL SURNAME

27 MOTOR/ TRANSFER BUSINESS NAME FIRST GIVEN NAME INITIAL SURNAME

28 MOTOR/ TRANSFER BUSINESS NAME FIRST GIVEN NAME INITIAL SURNAME

29 ASSIGNOR REGISTERED PARTY/LEEN CLAIMANT/ASSIGNEE ADDRESS SUITE 2100, SCOTIA PLAZA

30 COLLATERAL CLASSIFICATION ADDRESS SUITE 2100, SCOTIA PLAZA
CONSIDERED INVENTORY EQUIPMENT ACCOUNTS OTHER ENCLAMDED MOTOR VEHICLE AMOUNT MAINTENANCE OR MAINTENANCE DATE NO. FIXED

31 MOTOR YEAR MAKE MODEL V-I-N-

32 MOTOR GENERAL COLLATERAL DESCRIPTION

33 MOTOR GENERAL COLLATERAL DESCRIPTION

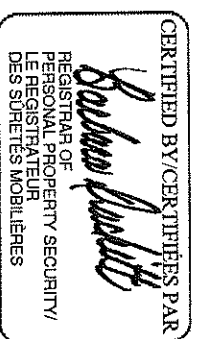
34 MOTOR GENERAL COLLATERAL DESCRIPTION

35 MOTOR GENERAL COLLATERAL DESCRIPTION

36 MOTOR GENERAL COLLATERAL DESCRIPTION

37 MOTOR GENERAL COLLATERAL DESCRIPTION

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***
CONTINUED...



RUN NUMBER : 074
RUN DATE : 2021/03/15
ID : 20210315094413.89

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 9
(2551)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : HYDRX FARMS LTD.
FILE CURRENCY : 14MAR 2021

FORM 26 FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CADDITIONAL PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED
KELING NO. OF PAGES SCHEDULE NUMBER UNDER
003 3 20200928 1702 9234 3382

21 RECORD REFERENCED FILE NUMBER 730845657
PAGE AMENDED NO. SPECIFIC PAGE AMENDED CHANGE REQUIRED RENEWAL CORRECT
PERIOD YEARS PERIOD

22 REFERENCE BUSINESS NAME FIRST GIVEN NAME INITIAL SURNAME
23 DEBTOR/ BUSINESS NAME
24 TRANSFEROR

25 OTHER CHANGE
26 REASON/
27 DESCRIPTION
28

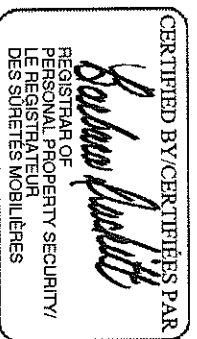
02/ DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME
05/ DEBTOR/ BUSINESS NAME
03/ TRANSFEROR
06/ ADDRESS ONTARIO CORPORATION NO.
04/07

29 ASSIGNOR SECURED PARTY/LEIN CLAIMANT/ASSIGNEE
08 ADDRESS 40 KING STREET WEST
09

COLLATERAL CLASSIFICATION ADDRESS MOTOR VEHICLE NO. FIXED
CONSIDER INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED AMOUNT MATERIALITY OR TERRITORY DATE
10

11 MOTOR YEAR MAKE MODEL V.I.N.
12 VEHICLE
13 GENERAL
14 COLLATERAL
15 DESCRIPTION
16 REGISTERING AGENT OR ADDRESS
17 SECURED PARTY/ LEIN CLAIMANT

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***
CONTINUED...



(0724 06/2019)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : HYDRX FARMS LTD.
FILE CURRENCY : 14MAR 2021

FORM 2G FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CHARGEON PAGE NO. OF PAGES TOTAL MOTOR VEHICLE REGISTRATION REGISTERED
FILING NO. OF PAGES SCHEDULE 20201022 1113 1590 4326 UNDER

01 RECORD FILE NUMBER 730845657

22 PAGE AMENDED NO SPECTIC PAGE AMENDED CHANGE REQUIRED
RENEWAL CORRECT PERIOD

23 REFERENCE DEBTOR/ TRANSFEROR BUSINESS NAME HYDRX FARMS LTD.
24 DEBTOR/ TRANSFEROR

25 OTHER CHANGE TO ADD AN ADDITIONAL SECURED PARTY.

26 REASON/ DESCRIPTION

27 DEBTOR/ TRANSFEROR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03/ TRANSFEREE BUSINESS NAME ADDRESS ONTARIO CORPORATION NO.

04/07 ADDRESS

29 ASSIGNOR SECURED PARTY/LEEN CLAIMANT/ASSIGNEE RYDAN FINANCIAL INC.

08 ADDRESS 26 IMPERIAL STREET TORONTO ON M5P 1C2

09 COLLATERAL CLASSIFICATION ADDRESS

10 CONSUMER INVENTORY EQUIPMENT ACCOUNTS OTHER MOTOR VEHICLE INCLUDED AMOUNT MATURITY OR NO FIXED
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED AMOUNT MATURITY OR MATURITY DATE MATURITY DATE

11 MOTOR VEHICLE YEAR MAKE MODEL Y-I-N

12 GENERAL COBRA VENTURES INC.'S SECURITY AGAINST HYDRX FARMS LTD. HAS BEEN

13 COLLATERAL ASSIGNED TO RYDAN FINANCIAL INC. AS SECURITY FOR A LOAN MADE PURSUANT

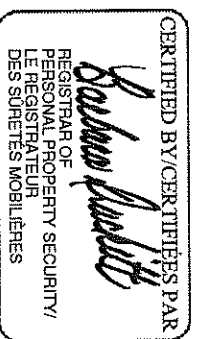
14 DESCRIPTION TO A COMMITMENT LETTER DATED OCTOBER 8, 2020

15 REGISTERING AGENT OR ADDRESS BARRY POLISUK TORONTO ON M3C 3B5

16 SECURED PARTY/ LEND CLAIMANT ADDRESS 150 FERRAND DRIVE, SUITE 800 TORONTO

17 LEND CLAIMANT ADDRESS 150 FERRAND DRIVE, SUITE 800 TORONTO

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY.***
CONTINUED... 11



RUN NUMBER : 074
 RUN DATE : 2021/03/15
 ID : 20210315094413.89

PROVINCE OF ONTARIO
 MINISTRY OF GOVERNMENT SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE
 CERTIFICATE

REPORT : PSSR060
 PAGE : 11
 (2553)

TYPE OF SEARCH : BUSINESS DEBTOR
 SEARCH CONDUCTED ON : HYDRX FARMS LTD.
 FILE CURRENCY : 14MAR 2021

FORM 20 FINANCING CHANGE STATEMENT / CHANGE STATEMENT

GARRETT PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED
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 001 1 20210118 1523 1590 1703

21 RECORD REFERENCED FILE NUMBER 730845657
 PAGE AMENDED NO. SPECTEC PAGE AMENDED CHANGE REQUIRED RENTAL CORRECT
 REFERENCED PAGE AMENDED NO. SPECTEC PAGE AMENDED D ASSIGNMENT YEARS PERIOD

22 FIRST GIVEN NAME SURNAME
 FIRST GIVEN NAME SURNAME

23 EXPERIENCE BUSINESS NAME HYDRX FARMS LTD.
 24 DEBTOR/ TRANSFEROR

25 OTHER CHANGE
 26 REASON/ DESCRIPTION

02/ DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME
 05 DEBTOR/ TRANSFEROR BUSINESS NAME

06 ADDRESS ONTARIO CORPORATION NO.
 04/07

29 ASSIGNOR RYDAN FINANCIAL INC.
 08 SECURED PARTY/ALIEN CLAIMANT/ASSIGNEE COBRA VENTURES INC.
 09 ADDRESS 40 KING STREET, SUITE 2100 TORONTO ON M5H 3C2

COLLATERAL CLASSIFICATION ADDRESS MOTOR VEHICLE NO. FIXED
 CONSIDER INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED ANNUITY MAINTENANCE OR WAIVER DATE
 GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED ANNUITY MAINTENANCE OR WAIVER DATE

10 YEAR MAKE MODEL Y-I-N-
 11 MOTOR VEHICLE
 12 GENERAL
 13 COLLATERAL
 14 DESCRIPTION
 15 REGISTRATION AGENT OR
 16 SECURED PARTY/ ADDRESS TORONTO ON M3C 3E5
 17 ALIEN CLAIMANT

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 12

CERTIFIED BY/CERTIFIÉES PAR
Robynne Powell
 REGISTRAR OF
 PERSONAL PROPERTY SECURITY/
 LE REGISTREUR
 DES SURETES MOBILIERES
 (c)2019 06/2019



RUN NUMBER : 074
 RUN DATE : 2021/03/15
 ID : 20210315094413.89

PROVINCE OF ONTARIO
 MINISTRY OF GOVERNMENT SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE
 CERTIFICATE

REPORT : PSSR060
 PAGE : 12
 (2554)

TYPE OF SEARCH : BUSINESS DEBTOR
 SEARCH CONDUCTED ON : HYDRX FARMS LTD.
 FILE CURRENCY : 14MAR 2021

FORM IC FINANCING STATEMENT / CLAIM FOR FEE

FILE NUMBER
 720521199

| CAUTION | PAGE NO. | TOTAL PAGES | MOTOR VEHICLE SCHEDULE | REGISTRATION NUMBER | REGISTERED UNDER | REGISTRATION PERIOD |
|---------|----------|-------------|------------------------|---------------------|------------------|---------------------|
| 01 | 01 | 002 | 20160912 | 1935 1531 7824 | P | PPSA 5 |

02 DEBTOR NAME: HYDRX FARMS LTD
 DATE OF BIRTH: [REDACTED]
 BUSINESS NAME: HYDRX FARMS LTD
 ADDRESS: 1130 CHAMPLAIN CRT
 WHITEBY
 ONTARIO CORPORATION NO: [REDACTED]
 ON L1N 6K9

03 DEBTOR NAME: [REDACTED]
 DATE OF BIRTH: [REDACTED]
 BUSINESS NAME: [REDACTED]
 ADDRESS: [REDACTED]
 WHITEBY
 ONTARIO CORPORATION NO: [REDACTED]
 ON L1N 6K9

04 DEBTOR NAME: [REDACTED]
 DATE OF BIRTH: [REDACTED]
 BUSINESS NAME: [REDACTED]
 ADDRESS: [REDACTED]
 WHITEBY
 ONTARIO CORPORATION NO: [REDACTED]
 ON L1N 6K9

05 DEBTOR NAME: [REDACTED]
 DATE OF BIRTH: [REDACTED]
 BUSINESS NAME: [REDACTED]
 ADDRESS: [REDACTED]
 WHITEBY
 ONTARIO CORPORATION NO: [REDACTED]
 ON L1N 6K9

06 DEBTOR NAME: [REDACTED]
 DATE OF BIRTH: [REDACTED]
 BUSINESS NAME: [REDACTED]
 ADDRESS: [REDACTED]
 WHITEBY
 ONTARIO CORPORATION NO: [REDACTED]
 ON L1N 6K9

07 DEBTOR NAME: [REDACTED]
 DATE OF BIRTH: [REDACTED]
 BUSINESS NAME: [REDACTED]
 ADDRESS: [REDACTED]
 WHITEBY
 ONTARIO CORPORATION NO: [REDACTED]
 ON L1N 6K9

08 DEBTOR NAME: [REDACTED]
 DATE OF BIRTH: [REDACTED]
 BUSINESS NAME: [REDACTED]
 ADDRESS: [REDACTED]
 WHITEBY
 ONTARIO CORPORATION NO: [REDACTED]
 ON L1N 6K9

09 DEBTOR NAME: [REDACTED]
 DATE OF BIRTH: [REDACTED]
 BUSINESS NAME: [REDACTED]
 ADDRESS: [REDACTED]
 WHITEBY
 ONTARIO CORPORATION NO: [REDACTED]
 ON L1N 6K9

10 DEBTOR NAME: [REDACTED]
 DATE OF BIRTH: [REDACTED]
 BUSINESS NAME: [REDACTED]
 ADDRESS: [REDACTED]
 WHITEBY
 ONTARIO CORPORATION NO: [REDACTED]
 ON L1N 6K9

11 MOTOR VEHICLE: [REDACTED]
 YEAR MAKE: [REDACTED]
 MODEL: [REDACTED]
 VIN: [REDACTED]

12 MOTOR VEHICLE: [REDACTED]
 YEAR MAKE: [REDACTED]
 MODEL: [REDACTED]
 VIN: [REDACTED]

13 GENERAL COLLATERAL DESCRIPTION: [REDACTED]

14 GENERAL COLLATERAL DESCRIPTION: [REDACTED]

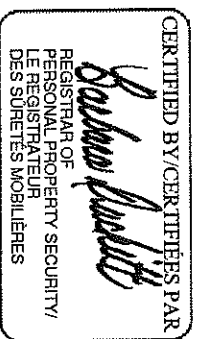
15 GENERAL COLLATERAL DESCRIPTION: [REDACTED]

16 REGISTERING AGENCY: [REDACTED]

17 REGISTERING AGENCY: [REDACTED]

D+H LIMITED PARTNERSHIP
 SUITE 200, 4126 NORLAND AVENUE
 BURNABY BC V5G 3S8

*** FOR FURTHER INFORMATION CONTACT THE SECURED PARTY ***
 CONTINUED... 13



(c) 19 06/2019

RUN NUMBER : 074
 RUN DATE : 2021/03/15
 ID : 20210315094413.89

PROVINCE OF ONTARIO
 MINISTRY OF GOVERNMENT SERVICES
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
 ENQUIRY RESPONSE
 CERTIFICATE

REPORT : PSSR060
 PAGE : 13
 (2555)

TYPE OF SEARCH : BUSINESS DEBTOR
 SEARCH CONDUCTED ON : HYDRX FARMS LTD.
 FILE CURRENCY : 14MAR 2021

FORM 1G FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER
 720521199

CAUTION PAGE NO. OF PAGES TOTAL MOTOR VEHICLE REGISTRATION REGISTERED REGISTRATION
 FILING NO. OF PAGES SCHEDULE NUMBER UNDER PERIOD
 02 002 20160912 1935 1531 7824

DATE OF BIRTH

FIRST GIVEN NAME

INITIAL

SURNAME

DEBTOR NAME

BUSINESS NAME

ADDRESS

ONTARIO CORPORATION NO.

ADDRESS

DATE OF BIRTH

FIRST GIVEN NAME

INITIAL

SURNAME

DEBTOR NAME

BUSINESS NAME

ADDRESS

ONTARIO CORPORATION NO.

SECURED PARTY / MERCEDES-BENZ FINANCIAL

LIEN CLAIMANT / ADDRESS 2680 MATHESON BLVD. E, STE 500

MISSISSAUGA

ON LAW 0A5

COLLATERAL CLASSIFICATION
 CONSUMER INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MOTOR VEHICLE AMOUNT DATE OF NO. FIXED
 GOODS MATURETY OR MATURETY DATE

MOTOR VEHICLE

YEAR MAKE

MODEL

V-L-N

GENERAL COLLATERAL DESCRIPTION

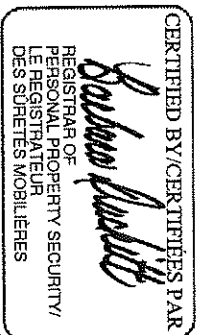
REGISTERING AGENT

ADDRESS

*** FOR FURTHER INFORMATION CONTACT THE SECURED PARTY ***

CONTINUED...

14



RUN NUMBER : 074
RUN DATE : 2021/03/15
ID : 20210315094413.89

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

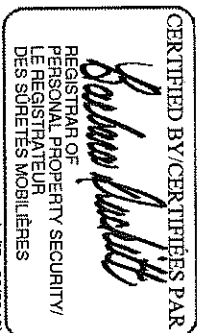
REPORT : PSSR060
PAGE : 14
(2556)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : HYDRX FARMS LTD.
FILE CURRENCY : 14MAR 2021

INFORMATION RELATING TO THE REGISTRATIONS LISTED BELOW IS ATTACHED HERETO.

| FILE NUMBER | REGISTRATION NUMBER | REGISTRATION NUMBER | REGISTRATION NUMBER | REGISTRATION NUMBER |
|-------------|---------------------|---------------------|---------------------|-------------------------|
| 767544453 | 20201109 | 1608 | 9234 | 4149 |
| 735108012 | 20171220 | 1324 | 2550 | 7568 |
| 734023998 | 20171115 | 1432 | 1530 | 7267 |
| 730845657 | 20170814 | 1350 | 9234 | 1376 |
| | 20210118 | 1523 | 1590 | 1703 |
| 720521199 | 20160912 | 1935 | 1531 | 7824 |
| | | | | 20200727 1535 1862 8205 |
| | | | | 20200928 1702 9234 3382 |
| | | | | 20201022 1113 1590 4326 |

9 REGISTRATON(S) ARE REPORTED IN THIS ENQUIRY RESPONSE.



(c/fis 06/2019)



This is **Exhibit "M"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432

.....
A Commissioner for Taking Affidavits

djamm@bell.net

From: Richard Goldstein <richard@canntab.ca>
Sent: Wednesday, November 11, 2020 11:09 PM
To: Leo Chamberland; Roula J. Sotirakos
Cc: Dom Serafino
Subject: Re: Health Canada owed \$5073.00 - Final Reminder

[EXTERNAL EMAIL] This email originated from an email address that is outside the organization

I would like to reach out to Health Canada with an open discussion and their approval of our next steps even in advance of our CCAA filing.

I did speak to Leo about this today as well as possibly retaining Canntab's amazing consultant Trevor Moore for ongoing work. At a minimum for our immediate needs and as an existing advisor to Garfinkle, counsel to HydRx I understand her to be a very talented individual by the name of Trina Fraser should be added to the team asap. Leo knew who she was.

Let's seriously get this done tomorrow as time is truly of the essence.

Thanks,
Rich

Get [Outlook for Android](#)

From: Roula J. Sotirakos <Roula@worldclassextractions.com>
Sent: Wednesday, November 11, 2020, 10:42 p.m.
To: Richard Goldstein; Leo Chamberland
Cc: Dom Serafino
Subject: Health Canada owed \$5073.00 - Final Reminder

Hello All,

The attached **Final Reminder notice** from Health Canada [**attached below**] was picked up by Alex last week at my request; along with all other invoices at the Whitby office.

There is **\$5,073.00** outstanding to **Health Canada** as of September 10, 2020.

This invoice, and others, were in Jim Gibner's possession/office.

I confirmed that Jim, as the HC RP, was fully aware of this outstanding amount to Health Canada and advised Alex that "it doesn't have to be paid". "Leave it for now".

Alex immediately brought this my attention, as he does not agree with Jim's decision not to pay Health Canada.

Do we want to be in a position to owe Health Canada money?

This is **Exhibit "N"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A873DA59E432

.....
A Commissioner for Taking Affidavits

djamm@bell.net

From: DS <djamm@bell.net>
Sent: Tuesday, November 17, 2020 7:57 PM
To: Rosy Mondin
Cc: Richard Goldstein
Subject: Re: Note of Clarification

Flag Status: Flagged

Team I knew this was going to happen given Mr Grover's style of operating. That said I have also been saying for months that it was crucial that shareholders of Hydrx were given some sense from WCE that they would not be flushed and keep some hope of recoument over the long haul without having to put more money in to simply protect there already destroyed value. Now it is becoming an uncontrollable narrative. I strongly suggest that you prepare some sort of formal proposal for current shareholders ASAP otherwise this is going to get even messier than it already is. Just one guy's opinion and I hope everyone understands that it would be best for all long term to achieve shareholder unity and trust.

Dom

Sent from my iPhone

On Nov 17, 2020, at 7:01 PM, Rosy Mondin <Rosy@worldclassextractions.com> wrote:

Hi all:

I've been advised by a Hydrx staff member (via email) that Har told him that "WCE owns Hydrx". I've also heard that Har is also purportedly saying to employees that it was a "hostile takeover".

To clear up misconceptions, I propose that I (or Dom) post the following note on the private Hydrx investor page on Facebook. The below statement is taken directly from WCE's news releases and was vetted by the insolvency lawyers (as we need to be very careful as to what is said about Cobra's next steps).

I write to clarify a misconception that "World Class Extractions Inc. owns Hydrx Farms Inc." This is not correct.

World-Class holds a 50% equity interest in Cobra Ventures Inc. ("Cobra"). Cobra acquired the 8% Senior Convertible Debenture of Hydrx Farms Ltd. o/a Scientus Pharma ("Hydrx") in the principal amount of \$11.5M plus accrued and unpaid interest and charges, from Aphria Inc. (a non-related party) and originally due August 14, 2019 (the "Debenture"). The purchase price of the Debenture was \$5M (inclusive of all taxes).

World-Class has loaned Cobra \$2.5M which is secured by the Debenture, along with other secured debt obtained by Cobra. As a senior loan instrument, Cobra has the right to make demand for repayment at any time. This loan obligation is secured against all assets of Hydrx, including its cannabis production facility and land located at 1130 Champlain Court, Whitby, Ontario.

This is **Exhibit "O"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432
A Commissioner for Taking Affidavits



December 29, 2020

Cobra Ventures Inc.
411 Cranbrooke Ave.
Toronto, ON
M5M 1N4

Attention: Richard Goldstein, Vice President

Re: Financing Proposal

This letter will outline the general terms and conditions under which Windsor Private Capital Limited Partnership or one of its affiliates (the "Lender") is prepared to make a loan (the "Loan") available to Cobra Ventures Inc. (the "Borrower"). This proposal letter is subject to the terms and conditions as set forth herein.

The proposed terms and conditions of the Loan are as follows:

| | |
|------------------------------|---|
| Facility | Term loan facility in the amount of up to \$4,000,000.00 (all amounts in CDN\$). |
| Drawdown | The Loan shall be funded in one advance ("Advance"). |
| Term | The Term shall be one year (i.e. the Maturity Date shall be one year from the date of the Advance). |
| Placement Fee | 2.0% of the Advance amount (to be deducted at the time of the Advance). |
| Interest | Annual interest rate equal 10.0% calculated daily and compounded monthly. Additionally, Lender shall receive ten (10%) percent of the common shares of the Borrower. |
| Repayment | The Borrower shall make monthly interest-only payments, commencing one-month after the Advance date. Outstanding principal amount of the Loan, together with any accrued and unpaid interest thereon, shall be payable in full upon the Maturity Date. |
| Expense Reimbursement | Whether or not a commitment is delivered, or final loan documentation is executed between the parties, the Borrower agrees to pay or caused to be paid, all reasonable legal and due diligence costs incurred by Lender, including applicable taxes. Such costs shall be no more than \$7,500.00, plus tax and disbursements. |
| Security | <ul style="list-style-type: none">• Assignment of a debenture owned by the Borrower in the approximate amount of \$11.5M; and• Fully perfected, first charge mortgage on the property located at the municipal address 1130 Champlain Court, Whitby ON |

(the "Property"). In the alternative, Lender would have a \$3,000,000.00 second charge mortgage on the Property, behind a first-ranking charge not to exceed \$1,000,000.00.

| | |
|---|--|
| Documentation | The necessary documentation shall be prepared by the Lender and its legal advisors. |
| Representations and Warranties | Standard reps and warranties customary in transactions of this nature. |
| Conditions Precedent and Restrictive Covenants | Customary conditions precedent and restrictive covenants including but not limited to: <ul style="list-style-type: none">• Except as contemplated herein, no incurrence of additional debt secured by the Property without prior consent of Lender• Receipt of all third-party consents, as may be required• Satisfactory completion of Lender's due diligence investigations of the Borrower and the Property, in the sole discretion of the Lender• All legal documentation, including legal opinions satisfactory to the Lender, shall have been executed and delivered• Lender Investment Committee approval |
| Events of Default | Standard events of default customary in transactions of this nature including appropriate notice and cure provisions. |
| Confidentiality | By accepting receipt of this letter, the Borrower shall not disclose the existence of this letter nor its contents to anyone other than its directors, officers, employees, professional advisors and controlling persons who have a need-to-know. |
| Exclusivity | Upon execution of this letter agreement and until the earlier of termination of this letter agreement or the closing of the transactions contemplated herein which is anticipated to be no later than January 15, 2021, the Borrower shall not solicit or have discussions, directly or indirectly, with any third parties regarding a potential financing transaction that would lead or that may reasonably be expected to lead to any activity, arrangement or transaction in opposition to or in competition with the transaction contemplated herein. |
| Assignability and Syndication | Lender reserves the right, subject to approval of the Borrower, such approval not to be unreasonably withheld, to assign, sell, transfer, grant participation or otherwise dispose of all or any part of their rights in respect of the Loan contemplated hereby. Lender is authorized to confidentially disclose, such information concerning the Borrower, as Lender considers appropriate (subject to recipient's agreement to comply with the terms of a nondisclosure agreement). |

Governing Law

This transaction and all related agreements shall be governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

Absence of Enforceable Agreement

Except for the terms and provisions of this section and the sections headed Confidentiality, Placement Fee, Exclusivity and Expense Reimbursement, this document is not an enforceable agreement between us, but is merely a statement of intent which sets forth the general basis upon which we intend to proceed. Except with respect to this section and sections headed Confidentiality, Placement Fee, Exclusivity and Expense Reimbursement, no contract will arise as to the subject matter hereof *unless* and until a loan agreement is negotiated, approved and executed by the parties. The parties anticipate that the transaction as set out herein shall close no later than January 15, 2021.

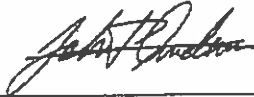
If the foregoing is acceptable to you, please evidence your approval and acceptance of the terms of this letter by signing and returning to us the enclosed copy of the proposal on or before 5:00PM Toronto time on December 29, 2020.

Yours truly,

**Windsor Private Capital Limited
Partnership**

by its general partner Windsor Private
Capital Inc.

Per:



Name: John P. Cundari
Title: President

Agreed to and accepted this 29th day of December, 2020

COBRA VENTURES INC.



Per: Richard Goldstein
I have the authority to bind the Corporation.

This is **Exhibit "P"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432

.....
A Commissioner for Taking Affidavits

Confidential Exhibit “P”
to the Affidavit of Domenico Serafino

Term Sheet
(Filed Separately)

This is **Exhibit "Q"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432

.....
A Commissioner for Taking Affidavits

djamm@bell.net

From: Richard Goldstein <richard@firstrepubliccapital.com>
Sent: Thursday, January 21, 2021 8:45 PM
To: Leo Chamberland; DS
Cc: Rosy Mondin
Subject: RE: Housekeeping

True enough.

Thanks

Sent from my Galaxy

----- Original message -----

From: Leo Chamberland <Leo@worldclassextractions.com>
Date: 2021-01-21 7:19 p.m. (GMT-05:00)
To: DS <djamm@bell.net>
Cc: Richard Goldstein <richard@firstrepubliccapital.com>, Rosy Mondin <Rosy@worldclassextractions.com>
Subject: RE: Housekeeping

As of today, Hydrx is in the same position as its been all along. It owes Cobra approximately \$12.5M and if it can pay or make a deal on the repayment, it still can do so.

To date, Cobra has yet to enforce its security. Cobra made a demand for payment - Rosy or I have no control over what happens going forward.

And if there is sufficient interest from someone that has deep enough pockets, you can always craft an offer to Richard and see what happens.

Leo Chamberland
President
Direct (BC): 1.604.868.2540
Suite 308 - 9080 University Crescent, Burnaby, BC, Canada, V5A 0B7

Confidentiality Note: This email may contain confidential/private information. If you received this email in error, please delete and notify sender.

-----Original Message-----

From: DS <djamm@bell.net>
Sent: January 21, 2021 4:13 PM
To: Leo Chamberland <Leo@worldclassextractions.com>
Cc: Richard C. Goldstein <richard@firstrepubliccapital.com>; Rosy Mondin <Rosy@worldclassextractions.com>
Subject: Re: Housekeeping

I know Leo but I do believe that Rosy, me and Rich should have had a meeting and resolution on this shotgun transaction...at least this is my opinion. I sent my email to Rosy as well.

This is **Exhibit "R"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432

.....
A Commissioner for Taking Affidavits

djamm@bell.net

From: Richard Goldstein <richard@firstrepubliccapital.com>
Sent: Friday, January 29, 2021 6:46 PM
To: djamm@bell.net
Subject: RE: Private and Confidential

Hi Dom:

I respect you and your business acumen. I want us to work together if possible.

We have already spoken to Health Canada and it is clear that Hydrx can't transfer its Licenses. The only way not to lose the Licenses is a Plan of Arrangement which we all believe is untenable. Even the CCAA RVO process to preserve the licenses for a buyer would have flushed all creditors. The shareholders wouldn't have seen a penny in that scenario as well which we were pursuing in the WCE days.

As well, how would the Company fund the cost and time to maintain the facility while all these efforts take place? How long and at what cost? I am the only one that is cutting cheques and I am not prepared to continue doing that without a realistic positive outcome. Putting more money is just throwing more of my limited capital down the drain. It costs well more to sell the \$4,000 of monthly patient orders. There is no other revenue and the Inventory other than the resin (which is only ok, subject to 3rd party analysis) is crap. We are advised by Cannamerx (a B to B LP marketplace) that the dry flower which is old and of poor quality is very difficult to move even at \$0.20 per gram.

As you know, since I have gotten involved we have been looking at every possible way to salvage Hydrx in its existing form and business. We expended significant cost working with advisors to review those options and none are realistic or practical given the company's position. At the end of the day, I do not see how there is value beyond Cobra's \$14mm of debt and I am not prepared to continue to fund losses to no end. At this point, there is simply risk and uncertainty in continuing without any realistic prospect of recovery and we need to wind up the existing business which is no longer viable in its current form and monetize the assets and business going forward.

I too am very open to discussing a workable solution for everyone. I just don't see it. Perhaps over the weekend we can discuss at your convenience.

Not sure what IP you are referencing other than the microwave technology? Not sure what that is worth in any scenario?

Thanks
Rich

From: djamm@bell.net <djamm@bell.net>
Sent: January 28, 2021 3:03 PM
To: Richard Goldstein <richard@firstrepubliccapital.com>; 'Richard Goldstein' <richard@canntab.ca>
Subject: Private and Confidential

Hey Rich,

I am sure you are quite busy at the moment but I wanted to take a moment and share some thoughts with you. None of my thoughts are meant in any way to be confrontational but I do take my role as a director quite seriously and am always looking to at least share a perspective from a different lens. That said, I still believe that outright bankrupting the

This is **Exhibit "S"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

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.....
A Commissioner for Taking Affidavits

COBRA VENTURES INC.
411 Cranbrooke Ave, Toronto, ON M5M 1N4

Delivered by Email

PERSONAL & CONFIDENTIAL

February 3, 2021

Domenic Serafino
c/o Venus Concept
235 Yorkland Blvd., Suite 900
Toronto, ON
M2J 4Y8

Dear Dom,

**RE: CREATION OF A NEW CORPORATION BETWEEN COBRA VENTURES INC.
("Cobra") AND CERTAIN INVESTORS BEING EXISTING SHAREHOLDERS OF
HYDRX FARMS LTD. ("Hydrx")**

Thank you for taking the time to speak with me yesterday. As we discussed, we will attempt to create a plan which would allow for the preservation of the existing Hydrx business, including its licenses.

We discussed Cobra will provide you with a runway of 30 days within which to raise \$2M for a new company (hereinafter called "Newco") to be created by Cobra. Cobra will subscribe for 80% of the shares of Newco and shareholders of Hydrx (the "Investors") who agree to participate in the offering and assuming receipt of total subscription of \$2,000,000, will receive 20% of the shares of Newco. The foregoing is based on a debt value of \$10,000,000 of which \$8,000,000 will be allocated to Cobra (being the difference between the present balance owing on the Aphria debenture assigned to Cobra and the assets and building being retained outside of Newco by Cobra).

We will cause Hydrx to issue a convertible debenture (the "Debenture") to Newco which shall bear interest at 8% per annum, accruing for the first 12 months and convertible into shares of Hydrx as hereinafter set forth.

The Debenture would exclude the real property municipally known as 1130 Champlain Court, Whitby, Ontario L1N 6K9 and the Hydrx equipment which will be owned separately by Cobra. Once we are in agreement with the terms of this letter, you will consent to the filing of the 30 day cessation notice to Health Canada, which as we discussed, can be withdrawn at any time prior to the expiry of the 30 day period.

In the event you are unsuccessful in raising the \$2M or such lesser amount as we agree to, Cobra will proceed with your consent as a director of Hydrx, with the receivership and you will approve the election of an acceptable third director nominated by Cobra as a director of Hydrx. If you are successful, we may withdraw the notice of cessation and we will proceed as hereafter set out.

You will approach the unsecured creditors of Cobra and attempt to have them agree to convert their debt into shares of Hydrx. This would apply also to the lawsuits and severance claims. In consideration of the agreement of such parties to convert their debt or entitlement into shares of Hydrx, the creditors, employees, management together with the existing shareholders would receive 30% of the issued and outstanding shares of Hydrx. The Debenture would be convertible into the balance of 70% of the shares of Hydrx. Therefore and assuming conversion of the Debentures the resulting shareholders of Hydrx would be as follows:

- Cobra : 56%
- The Investors: 14%; and
- Existing Hydrx shareholders and creditors: 30%

Please note that this letter is for discussion purposes only and will be subject to proper advice from our bankruptcy counsel and completion of formal documents.

Please confirm that this letter accurately reflects our discussions. If you are in agreement, please sign and return this letter to me by email.

Yours truly,
COBRA VENTURES INC.

Richard Goldstein
President

This LETTER is hereby accepted on the terms and conditions set forth herein:

Witness

DOMENIC SERAFINO

This is **Exhibit "T"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

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.....
A Commissioner for Taking Affidavits

On Feb 21, 2021, at 12:36 PM, Richard Goldstein <richard@firstrepubliccapital.com> wrote:

[EXTERNAL EMAIL] This email originated from an email address that is outside the organization

Hello Dom,

Thanks for your email prompting me. We are not ignoring you but working through the various options available to Cobra and HyDRx.

Let me start by saying that the arrangement between Cobra, Windsor, and any other of Cobra's sources of funding is none of your business. The area you really ought to

focus on is the accumulating debt of the company for which you are a fiduciary by virtue of your being a Director. As to your directly contacting Windsor to probe into our commercial arrangements, I am sure you do not want us poking around City National Bank of Florida to speak about the likelihood of a company for which you are a director being insolvent. Your action is unethical, as appreciated by the professionals at Windsor, and my partners.

We understand that you have been awaiting a detailed business plan for opportunities for Cobra/HydRx as a condition for participating in the future of the business. We continue to work out the details of that plan, while at the same time, acting as the only source of funding that is keeping the lights and heat on, and the building and inventory properly secured. Perhaps you aren't aware that on Friday, both HVAC units for the common areas of the building failed and may not be re-commissioned without new burners. Shall HydRx send you the invoice and if not, who do you suggest pay the cost?

If I may summarize the current situation as my legal team sees it, the shareholders of HydRx have essentially lost their entire investment – including me, as a private investor in earlier rounds. The same applies to all of the creditors and employees. There is essentially no bargaining position for any unsecured creditor including the lawsuits and the Termination fees. Our recent conversations were based on the investors of Cobra finding the right balance between recognizing their risk when it acquired the debt. Any opportunity discussed had been offered on a purely gratuitous basis in the spirit of getting something to the existing shareholders while obviously preserving the licences and the tax losses. The existing shareholders of HydRx may have claims against the company and the prior Directors and Officers, perhaps under the previous D&O insurance, but that is outside the obligations of HydRx to the debt note held by Cobra.

Cobra is the secured creditor, period. We purchased Aphria's debt and security and we are entitled to all of the rights thereunder, based on the face value of the debt, and the accrued interest, funding and working capital.

I find myself increasingly aware of the potential conflicts of interest and am discussing with my lawyers and Health Canada the prospect of resigning as soon as practical, likely within the next 14 days, to take effect within 30 days. This is material as it leaves you as the sole Director, and more importantly, unqualified to act in that role because you don't have the necessary Health Canada approved security clearance. If I resign, you would be the sole Director with all the accompanying liabilities and obligations. As well you are a legacy Director having served in that capacity for all prior capital raises and corporate activity. I will also point out on the litigation front that I have been a Director for only a short period of time and the litigation issues to which you have referred to stem from the period prior to my joining the Board.

As a Director of HydRx, you most certainly also know that there are substantial debts and obligations coming forward in the next months, while at the same time, our QA has formally resigned, leaving our processing license vulnerable to cancellation, in the absence of a new QAP, and the attendant salary. Of course, there are many other ongoing obligations: inventory software, CRA excise payments, security, and of course, the broken heating system.

In the absence of any commitments for working capital for HydRx from you, your proposed investor group or any other interested party, Cobra has reached its end in terms of funding the working capital needs of HydRx.

We believe that a CCAA proposal to the courts funded by HydRx or some other 3rd party group makes the most sense to find a way to help shareholders participate in the future of the company, and I am looking to you, in the next 10 days, to jointly sign the required documentation to move this forward.

In the absence of a CCAA proposal, Cobra is prepared to install a receiver commencing immediately thereafter.

Regards,

Rich

This is **Exhibit "U"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

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.....
A Commissioner for Taking Affidavits

From: Phil A. Hemans <phemans@scientuspharma.com>

Sent: 2021-01-21 3:37 PM

To: Stewart2, Jennifer (HC/SC) <jennifer.stewart2@canada.ca>; Cannabis Licensing / Licences cannabis (HC/SC) <HC.licensing-cannabis-licences.SC@canada.ca>

Cc: Richard Goldstein <richard@firstrepubliccapital.com>

Subject: RE: Hydrx Farms Ltd. - LIC-WQZAS68WY2-2020-3

Dear Colleagues,

HydRx Farms Ltd. (“Hydrx”) has been undergoing significant financial pressures and has been working cooperatively with its secured creditor, Cobra Ventures Inc. (“Cobra”), to identify and implement a viable solution for the continued operation of the business. As you may recall, we spoke (Stewart/Hemans) in September after the initial transaction between Aphria and Cobra. In this regard, I attach two press releases pertaining to Hydrx and Cobra for your information and records. Cobra Ventures Inc. is a closely held corporation whose majority and controlling shareholder is Richard Goldstein (CTLS account: 03PORORMR1, Security clearance: SEC-I197U21NDT-2018) who is also the Alternate Responsible Person for Hydrx and sits on its Board of Directors. Cobra has proposed a transfer of the secured assets of Hydrx as settlement of its secured loans to Cobra through a court-approved sale process. Cobra Ventures Inc. would then provide ongoing funding to support continuing operations and a path forward to profitability.

We kindly request that Health Canada provide us with guidance on how the current license of Hydrx can be transferred to Cobra Ventures (preferred option as this would help avoid further business disruptions), or an indication of how long a new license application would take to process given that the facility and operations (Key positions, SOPs, GPPs, etc.) would remain predominantly the same as what has been already approved by Health Canada. We note that Hydrx recently completed its Health Canada Inspection and was recently granted a renewal of its license to September 22, 2023. Since time is of the essence, I would like to arrange a phone call as soon as possible to discuss this proposal and answer any questions you may have.

Best regards,

Phil

Phillip Hemans CPA, CA
Executive Vice President & COO
Direct +1 416 414. 8114
Main +1 844 493.7922

Please note: This e-mail, contents and any files transmitted herewith are privileged, confidential, may be proprietary, subject to copyright and intended solely for the use of the individual or entity to whom this e-mail is addressed to. Any unauthorized use, copying, review or disclosure is strictly prohibited. Please notify phehans@scientuspharma.com immediately if you have received this communication in error. Thank you for your assistance and cooperation.

This is **Exhibit "V"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432

.....
A Commissioner for Taking Affidavits

From: Hamish Sutherland <hamish.sutherland@gmail.com>
Sent: Sunday, February 21, 2021 1:28 PM
Cc: Richard Goldstein <richard@firstrepubliccapital.com>; Dom Serafino <djamm@bell.net>; Barry Polisuk <BP@friedmans.ca>
Subject: Re: Moving forward

Quick, pithy.

At the most childish level, he is pissed that Dad cut up the credit card.

He has a number of days to ponder his next steps.

In the meantime, let's go through the shareholder list and identify and start a convo with key shareholders who may want to recover.

Also, I think that a warning shot across the bow of Tory's is in order. They are not legally permitted to keep the minute books as ransom, and we need detailed info on shareholders and how to communicate with them. Add in the debtor-in-possession - when that happens, paper the debt.

And, if Dom gets in the way, throw it all at him.

Does Royal or someone have the accounts? Who is the Master on the account ... If an employee, those have to be turned over to Director(s) so the company doesn't have to re-invent the accounts and bookkeeping.

Keys ... and make sure the pipes don't freeze.

This is **Exhibit "W"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

.....
A Commissioner for Taking Affidavits



Canada Revenue Agency

Agence du revenu du Canada

Sudbury ON P3A 5C1

000000267

Hydrx Farms Ltd.
1130 CHAMPLAIN CRT
WHITBY ON L1N 6K9

Notice details

| | |
|----------------|----------------------|
| Account number | 80910 4573 RD0002 |
| Program | Cannabis Excise Duty |
| Date issued | Jan 16, 2021 |

Notice of collection

Our records show that you still have an amount owing.

The amount you need to pay is **\$27,263.42**.

To avoid more interest charges and possible legal action against you, please pay now.

Thank you,

Bob Hamilton
Commissioner of Revenue

Account balance

You have an amount due. If you paid the full amount more than 15 days ago, please call us at 1-866-299-1050.

Amount due: \$27,263.42

Payment options

You can pay:

- online
- at your financial institution

For more information, go to page 3.

This is **Exhibit "X"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021

DocuSigned by:

Sepideh Nassabi

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.....
A Commissioner for Taking Affidavits



Canada Revenue Agency

Agence du revenu du Canada

SUMMERSIDE PE C1N 5Z7

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| | |
|-------------------------|-------------------|
| Date | Jan 20, 2021 |
| Account number | 80910 4573 RD0002 |
| Reference number | OL210182101051 |

Hydrx Farms Ltd.
1130 CHAMPLAIN CRT
WHITBY ON L1N 6K9

Subject: Renewing your cannabis licence

Dear licensee:

Your cannabis licence, number 80910 4573 RD0002, will expire on **April 16, 2021**.

To apply to renew your licence, fill out Form L300, Cannabis Licence Application under the Excise Act, 2001. You may also need to fill out Form L300SCHA Schedule A, Other Business Location(s), and L300SCHB Schedule B, Information Relating to Individuals, Partners, Directors, Officers and Shareholders, if they apply.

Please send your completed forms to your regional office before **March 17, 2021**. To find the address, go to canada.ca/en/revenue-agency/services/forms-publications/publications/contacts.

To qualify for renewal, you must show that you still meet all eligibility requirements in the Regulations Respecting Excise Licences and Registrations. Once we have your application, we will contact you if we need more documents or to confirm your information. After we review your application, we will write to you to let you know our decision.

If you have already taken steps to renew your licence, please disregard this letter.

If you have questions about renewing your licence, please contact your regional office.

You can find more information at canada.ca/cannabis-excise.

Sincerely,

Bob Hamilton
Commissioner of Revenue

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This is **Exhibit "Y"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

.....9A5A673DA59E432.....
A Commissioner for Taking Affidavits

From: Excise Duties & Taxes Program-ON LPRA / Programme des droits et des taxes d'accise-ON PLAR (CRA/ARC) <OR-ExciseDuty@cra-arc.gc.ca>
Date: Tuesday, March 16, 2021 at 3:08 PM
To: Tom Jefferd <tjefferd@hydrx.ca>
Subject: RE: Attn: Justin - RE: Hydrx Farms Ltd. cannabis license renewal package

Thank you for your documents.

Your documents have been forwarded for processing.

Regards,

Excise Duties and Taxes
Legislative Policy and Regulatory Affairs Division
Canada Revenue Agency / Government of Canada
Tel: 1 (866) 330 3304

Droits et des taxes d'accise
Division de la politique législative et des affaires réglementaires
Agence du revenu du Canada / Gouvernement du Canada
Tel: 1 (866) 330 3304

From: Tom Jefferd <tjefferd@hydrx.ca>
Sent: March 16, 2021 2:12 PM
To: Excise Duties & Taxes Program-ON LPRA / Programme des droits et des taxes d'accise-ON PLAR (CRA/ARC) <OR-ExciseDuty@cra-arc.gc.ca>
Subject: Attn: Justin - RE: Hydrx Farms Ltd. cannabis license renewal package

Attn: Justin.

Good afternoon,

RE: Hydrx Farms Ltd. cannabis license, account number 80910 4573 RD0002

Please find attached the CRA renewal package along with receipt of payment of the balance owing.

If you have any questions, or require additional information, I can be reached at 905.260.3577.

Thanks, Tom.

This is **Exhibit "Z"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432

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A Commissioner for Taking Affidavits

| Date | Name | Onsite | Guests |
|------------|-------------------|--------|---|
| 12/16/2020 | Richard Goldstein | 1.5 | Hamish, Joel |
| 12/18/2020 | Hamish Sutherland | 4 | Owen, Jon, Burn (sp?) |
| 12/24/2020 | Richard Goldstein | 2 | Joshi (canntab), Trina Trang & friends (potential contract for RG). |
| 12/25/2020 | Richard Goldstein | 1 | Joshi (Canntab) |
| 01/05/2021 | Richard Goldstein | 4 | Kevin, Vince, Josh (potential contract for RG) |
| 01/16/2021 | Richard Goldstein | 2 | Eric (Canntab) |
| 02/05/2021 | Phil | 7 | Eric (Canntab), 2x BOND Security guys. Broke into TomJ's office |
| 02/06/2021 | Richard Goldstein | 1.5 | Unknown guest, forms not completed |
| 02/09/2021 | Phil | 7 | Joshi(Canntab), Will, Eric (Canntab) |
| 02/14/2021 | Richard Goldstein | 2 | Hamish, Luke (sp?), Mark, Adam |
| 02/17/2021 | Phil | 4 | Eric (Canntab),Joshi (Canntab) |
| 02/20/2021 | Richard Goldstein | 1.5 | Larry, Cyrille (sp?) |
| 03/04/2021 | Hamish Sutherland | 2.5 | None |
| 03/10/2021 | Hamish Sutherland | 4 | Phil, Trevor Moore & Jeff Hannah (cannabis consultants) - Health Canada call. |
| 03/11/2021 | Hamish Sutherland | 6 | 8 guests |

This is **Exhibit "AA"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432.....

A Commissioner for Taking Affidavits

Confidential Exhibit “AA”
to the Affidavit of Domenico Serafino

Edev Inc. Letter of Intent
(Filed Separately)

This is **Exhibit "BB"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432

.....
A Commissioner for Taking Affidavits

Confidential Exhibit “BB”
to the Affidavit of Domenico Serafino

Letters of Intent
(Filed Separately)

This is **Exhibit "CC"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 19th
day of March, 2021.

DocuSigned by:

Sepideh Nassabi

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A Commissioner for Taking Affidavits

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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


AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE MATTER
OF A PLAN OF COMPROMISE OR ARRANGEMENT OF HYDRX FARMS
LTD., CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA
INC.

CONSENT

Schwartz Levitsky Feldman Inc hereby consents to act as Court-appointed Monitor of Hydrx Farms Ltd., Cannscience Innovations Inc. and Scientus Pharma Inc. in these proceedings should such an Initial Order be granted by the Court.

Dated at Toronto, Ontario, this 19th day of March, 2021.

Schwartz Levitsky Feldman Inc

Per: 
Name: Allen Page
Title: President

I have authority to bind the corporation

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF HYDRX FARMS LTD., CANNOSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA INC.

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding Commenced at **Toronto**

**AFFIDAVIT OF
DOMENICO SERAFINO**

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Lawyers for the Applicants

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

AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF HYDRX FARMS LTD., CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA INC.

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at TORONTO

APPLICATION RECORD

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