

Court File No. CV-21-00659187-00CL

**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

**MOTION RECORD OF THE APPLICANT**  
(Returnable April 30, 2021)

April 26, 2021

**MINDEN GROSS LLP**  
145 King Street West, Suite 2200  
Toronto, ON M5H 4G2

**Raymond M. Slattery** (LSO #20479L)  
Tel: 416-369-4149  
[rslattery@mindengross.com](mailto:rslattery@mindengross.com)

**Sepideh Nassabi** (LSO #60139B)  
Tel: 416-369-4323  
[snassabi@mindengross.com](mailto:snassabi@mindengross.com)

Lawyers for the Applicant

**TO: THE SERVICE LIST**



## SERVICE LIST

TO:	<p><b>PALIARE ROLAND ROSENBERG ROTHSTEIN LLP</b> Barristers &amp; Solicitors 155 Wellington Street West, 35<sup>th</sup> Floor Toronto, ON M5V 3H1</p> <p><b>Jeffrey Larry</b> (LSO# 44608D) Email: <a href="mailto:Jeff.Larry@paliareroland.com">Jeff.Larry@paliareroland.com</a> Tel: 416-646-4330</p> <p>Lawyers for the Monitor, Schwartz Levitsky Feldman Inc.</p>
AND TO:	<p><b>SCHWARTZ LEVITSKY FELDMAN INC.</b> 2300 Yonge Street Suite 1500, Box 2434 Toronto, ON M4P 1E4</p> <p><b>Alan Page</b> Email: <a href="mailto:alan.page@slf.ca">alan.page@slf.ca</a></p> <p>Monitor of Hydrx Farms Ltd., Cannscience Innovations Inc. and Scientus Pharma Inc.</p>
AND TO:	<p><b>CASSELS BROCK &amp; BLACKWELL LLP</b> Scotia Plaza, 40 King St. W., Suite 2100 Toronto, ON M5H 3C2</p> <p><b>Joseph J. Bellissimo</b> Email: <a href="mailto:jbello@casells.com">jbello@casells.com</a> Tel: 416-860-6572</p> <p><b>Ben Goodis</b> Email: <a href="mailto:bgoodis@casells.com">bgoodis@casells.com</a> Tel: 416-869-5312</p> <p>Lawyers for Cobra Ventures Inc.</p>

AND TO:	<b>ROYAL BANK OF CANADA</b> 36 York Mills Rd, 4th Floor Toronto, ON M2P 0A4
AND TO:	<b>ALPINE SPECIALTY CHEMICALS LTD.</b> 9 City View Drive Etobicoke, ON M9W 5A5  <b>Doug Grills</b> Email: <a href="mailto:douggrills@alpinechem.com">douggrills@alpinechem.com</a>
AND TO:	<b>MERCEDES BENZ</b> 2680 Matheson Blvd. E, Suite 500 Mississauga, ON L4W 0A5  Email: <a href="mailto:mbf@daimler.com">mbf@daimler.com</a>
AND TO:	<b>WINDSOR PRIVATE CAPITAL INC.</b> 28 Hazelton Ave., Suite 200 Toronto, ON M5R 2E2  John P. Cundari Email: <a href="mailto:john.cundari@windsorgp.com">john.cundari@windsorgp.com</a>
AND TO:	<b>RYDAN FINANCIAL INC.</b> 26 Imperial St. Toronto, ON M5P 1C2  <b>Stan Schwartz</b> Email: <a href="mailto:rydanfinancial@gmail.com">rydanfinancial@gmail.com</a>

AND TO:	<p><b>CANADA REVENUE AGENCY</b> c/o Department of Justice Ontario Regional Office 120 Adelaide Street West, Suite 400 Toronto, ON M5H 1T1</p> <p><b>Diane Winters</b> Tel: 647-256-7459 Fax: 416-973-0810 Email: <a href="mailto:diane.winters@justice.gc.ca">diane.winters@justice.gc.ca</a></p> <p>Lawyers for the Canada Revenue Agency</p>
AND TO:	<p><b>HEALTH CANADA</b></p> <p><b>Robyn Blom</b> License Management, Licensing and Security Division Controlled Substances and Cannabis Branch</p> <p>Email: <a href="mailto:robyn.blom@canada.ca">robyn.blom@canada.ca</a> Tel: 343-542-3786</p> <p>Email: <a href="mailto:HC.licensing-cannabis-licences.SC@canada.ca">HC.licensing-cannabis-licences.SC@canada.ca</a></p>
AND TO:	<p><b>CSCB Litigation / Litige DGSCC (HC/SC)</b></p> <p>Email: <a href="mailto:hc.cscblitigation-litigedgsc.sc@canada.ca">hc.cscblitigation-litigedgsc.sc@canada.ca</a></p>

AND TO:	<p><b>MINISTRY OF FINANCE (ONTARIO)</b> Legal Services Branch 777 Bay Street, 11th Fl. Toronto, ON M5G 2C8</p> <p><b>Insolvency Unit</b> Email: <a href="mailto:insolvency.unit@ontario.ca">insolvency.unit@ontario.ca</a></p> <p><b>Steven Groeneveld</b> Email: <a href="mailto:steven.groeneveld@ontario.ca">steven.groeneveld@ontario.ca</a></p> <p><b>Leslie Crawford</b> Email: <a href="mailto:leslie.crawford@ontario.ca">leslie.crawford@ontario.ca</a></p>
AND TO:	<p><b>SCARFONE HAWKINS LLP</b> One James Street South, 14<sup>th</sup> Floor P.O. Box 926, Depot 1 Hamilton, ON L8N 3P9</p> <p><b>Michael J. Valente</b> (LSO# 23925R) Tel: 905-523-1333 Email: <a href="mailto:mvalente@shlaw.ca">mvalente@shlaw.ca</a></p> <p><b>Colleen Yamashita</b> (LSO# 51468H) Tel: 905-523-1333 Email: <a href="mailto:cyamashita@shlaw.ca">cyamashita@shlaw.ca</a></p> <p>Lawyers for the creditor, C-Tech Innovation Ltd.</p>
AND TO:	<p><b>GEORGE WAGGOT PROFESSIONAL CORPORATION</b> One University Avenue, Third Floor Toronto, ON M5J 2P1</p> <p><b>George Waggot</b> (LSO# 48753E) Tel: 416-477-6894 Email: <a href="mailto:george@georgewaggott.com">george@georgewaggott.com</a></p> <p>Lawyers for Mark Fletcher</p>

AND TO:	<p><b>SAMFIRU TUMARKIN LLP</b> Barristers &amp; Solicitors 350 Bay Street, 10<sup>th</sup> Floor Toronto, ON M5H 2S6</p> <p><b>Mackenzie Irwin</b> (LSO# 75524D) Tel: 416-861-9065 Email: <a href="mailto:Mackenzie.Irwin@stlawyers.ca">Mackenzie.Irwin@stlawyers.ca</a></p> <p>Lawyers for Peter B. Sampson and Bernhard Pohlmann-Eden</p>
AND TO:	<p><b>Nisarg Munshi</b> (LSO# 55321V) 400 Michener Road, Unit #3 Guelph, ON N1K 1E4</p> <p>Tel: 416-360-7733 ext. 280 Email: <a href="mailto:Nisarg.Munshi@benefact.ca">Nisarg.Munshi@benefact.ca</a></p> <p>Lawyer for RSG Revenue Services Group Inc.</p>
AND TO:	<p><b>NATHANSON, SCHACHTER &amp; THOMPSON LLP</b> Suite 750 – 900 Howe Street Vancouver, BC V6Z 2M3</p> <p><b>Karen Carteri</b> Tel: 604-662-8875 Email: <a href="mailto:kcarteri@nst.ca">kcarteri@nst.ca</a></p> <p><b>Emily Hansen</b> Tel: 604-558-8991 Email: <a href="mailto:ehansen@nst.ca">ehansen@nst.ca</a></p> <p>Lawyers for Zidane Capital Corp.</p>

AND TO:	<p><b>ANDRIESEN &amp; ASSOCIATES</b> Business Lawyers 101-703 Evans Avenue Toronto, ON M9C 5E9</p> <p><b>Murray Brown</b> (LSO# P03323) Tel: 416-620-7020 ext. 24 Email: <a href="mailto:mbrown@andriessen.ca">mbrown@andriessen.ca</a></p> <p>Lawyers for G4S Secure Solutions (Canada) Ltd.</p>
AND TO:	<p><b>GARFINKLE BIDERMAN LLP</b> Barristers &amp; Solicitors 1 Adelaide Street East, Suite 801 Toronto, ON M5C 2V9</p> <p><b>Shimmy Posen</b> Tel: 416-869-7612 Email: <a href="mailto:sposen@garfinkle.com">sposen@garfinkle.com</a></p> <p>Lawyers for Hydrx Farms Ltd.</p>

## INDEX

<b>TAB</b>	<b>DATE</b>		<b>PAGE NO.</b>
1	April 26, 2021	Notice of Motion	1 – 8
2	April 26, 2021	Affidavit of Domenico Serafino	9 – 27
A	March 22, 2021	<b>Exhibit “A”</b> – Initial Order of the Honourable Justice Hainey	28 – 39
B	March 19, 2021	<b>Exhibit “B”</b> – Affidavit of Domenico Serafino, without exhibits	40 – 92
C	March 31 , 2021	<b>Exhibit “C”</b> – Amended and Restated Order of the Honourable Justice Hainey	93 – 106
D	March 29, 2021	<b>Exhibit “D”</b> – Affidavit of Domenico Serafino, without exhibits	107 – 116
E	April 23, 2021	<b>Exhibit “E”</b> – Monitor’s Report	117 – 127
F	April 13, 2021	<b>Exhibit “F”</b> – Letter from Health Canada to HydRx Farms Ltd.	128 – 130
G	March 16, 2021	<b>Exhibit “G”</b> – Health Canada Reminder Notice	131 – 134
H	April 14, 2021	<b>Exhibit “H”</b> – Email to Health Canada	135 – 137
I	April 5, 2021	<b>Exhibit “I”</b> – Notice of Special Meeting of Shareholders	138 – 141
J	April 21, 2021	<b>Exhibit “J”</b> – Letter from Shimmy Posen to Sepideh Nassabi	142 – 144
K	February 21, 2021	<b>Exhibit “K”</b> – Email from Richard Goldstein	145 – 148
L	April 22, 2021	<b>Exhibit “L”</b> – Letter to Shimmy Posen	149 – 151

<b>TAB</b>	<b>DATE</b>		<b>PAGE NO.</b>
M	April 8, 2021	<b>Exhibit “M”</b> – Indemnity Agreement	152 – 156
3		Draft Order	158 – 161



**TAB 1**

Court File No. CV-21-00659187-00CL

**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**

**NOTICE OF MOTION**

The Applicant will make a motion to the Honourable Justice Hainey at 11:00 AM on Friday, April 30, 2021, by way of judicial videoconference via Zoom due to the COVID-19 pandemic, at Toronto, Ontario. Please refer to the conference details attached as Schedule "A" hereto in order to attend the motion and advise if you intend to join the motion by emailing Sepideh Nassabi at [snassabi@mindengross.com](mailto:snassabi@mindengross.com).

**PROPOSED METHOD OF HEARING:** The Motion is to be heard

[ ] in writing under subrule 37.12.1(1);

[ ] in writing as an opposed motion under subrule 37.12.1(4);

[X] orally.

**THE MOTION IS FOR:**

- (a) An Order substantially in the form attached at Tab 3 of this motion record, among other things, extending the Stay Period until and including August 2, 2021;
- (b) An Order replacing Philip Hemans as the designated Responsible Person with Health Canada effective immediately and replacing him with Thomas Jefferd and directing Health Canada to amend its records accordingly;
- (c) such further and other relief as counsel may advise and this Honourable Court may deem just.

**THE GROUNDS FOR THE MOTION ARE:**

**The Initial Order**

- (a) On March 22, 2021, this Honourable Court granted protection to Hydrx Farms Ltd., Cannscience Innovations Inc. and Scientus Pharma Inc. (collectively, “**Hydrx**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to the Initial Order.

- (b) Under the Initial Order, among other things:
  - (i) Schwartz Levitsky Feldman Inc. was appointed as monitor of Hydrx (in such capacity, the “**Monitor**”);
  - (ii) An initial 10-day stay of proceedings in favour of Hydrx was granted until and including April 1, 2021 (the “**Stay Period**”);

### **The Amended and Restated Initial Order**

- (c) On March 31, 2021, this Honourable Court granted the Amended and Restated Initial Order, among other things:
  - (i) extended the Stay Period until and including May 3, 2021;
  - (ii) granted an administration charge in the maximum amount of \$250,000.

### **Hydrx**

- (d) Hydrx is vertically integrated cannabis business facing, among other things, a severe liquidity crisis and a deadlocked board of directors.
- (e) The Initial Order was granted on an urgent and without notice basis. The Initial Order declared that the Applicant is an *interested person* under the CCAA.

### **The Extension of the Stay Period**

- (f) Hydrx requires an extension of the Stay Period until and including August 2, 2021.
- (g) Hydrx has commenced re-start operations.
- (h) Hydrx is forecast to have sufficient liquidity to fund its obligations and the cost of this CCAA Proceedings through the end of the extended Stay Period.
- (i) It is just, convenient, necessary and in the best interest of Hydrx and its stakeholders that the Stay Period be extended until August 2, 2021.
- (j) The Monitor supports the request to extend the stay period.

### **RPIC**

- (k) Pursuant to the Amended and Restated Initial Order, the Court directed Hydrx to maintain its license and regulatory compliance with Health Canada. The current RPIC is Philip Hemans. Mr. Hemans has conducted himself in such a manner which may jeopardize Hydrx's complaint status quo.

- (l) The Applicant is seeking the Court's authorization to replace Mr. Hemans as RPIC with Thomas Jefferd who is the current Head of Security.

### **Good Faith**

- (m) Since the commencement of the CCAA Proceedings, the Applicant has and continues to act in good faith and with due diligence in evaluating strategic alternatives and formulating a plan that would yield the greatest recovery for the stakeholders of Hydrx.

### **Other Grounds**

- (n) The provisions of the CCAA and the inherent and equitable jurisdiction of this Honourable Court;
- (o) Rules 1.04, 2.03, 3.02, 14.05, 16, 38, and 39 of the Ontario *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended and section 106 and 137(2) of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended; and,
- (p) Such further and other grounds as counsel may advise and this Honourable Court may permit.

**THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the Motion:

- (a) The Affidavit of Domenico Serafino, sworn on April 26, 2021, and the exhibits attached thereto;
- (b) The Factum of the Applicant;
- (c) The Second Report of the Monitor; and
- (d) Such further and other evidence as counsel may advise and this Court may permit.

April 26, 2021

**MINDEN GROSS LLP**  
Barristers and Solicitors  
2200 - 145 King Street West  
Toronto, ON M5H 4G2

**Raymond M. Slattery** (LSO# 20479L)  
[rslattery@mindengross.com](mailto:rslattery@mindengross.com)  
Tel: 416-369-4149

**Sepideh Nassabi** (LSO# 60139B)  
[snassabi@mindengross.com](mailto:snassabi@mindengross.com)  
Tel: 416-369-4323

Lawyers for the Applicant

TO: **THE SERVICE LIST**

## Schedule “A”

### Conference Details to Attend Motion via Zoom

Topic: In the Matter of a Plan of Compromise or Arrangement of Hydrx Farms Ltd. et al. - Court File No. CV-21-00659187-00CL - Hearing Before the Honourable Justice Hainey

Time: April 30, 2021 at 11:00 AM Eastern Time (US and Canada)

#### Join Zoom Meeting

<https://mindengross.zoom.us/j/92460658864?pwd=YVRnRXQzSTIWRUJBaVZJZkJhNG1IZz09>

**Meeting ID:** 924 6065 8864

**Passcode:** 176056

One tap mobile

+13126266799,,92460658864#,,,,\*176056# US (Chicago)

+13462487799,,92460658864#,,,,\*176056# US (Houston)

Dial by your location

+1 312 626 6799 US (Chicago)

+1 346 248 7799 US (Houston)

+1 669 900 6833 US (San Jose)

+1 929 205 6099 US (New York)

+1 253 215 8782 US (Tacoma)

+1 301 715 8592 US (Washington DC)

833 548 0276 US Toll-free

833 548 0282 US Toll-free

877 853 5247 US Toll-free

888 788 0099 US Toll-free

Meeting ID: 924 6065 8864

Passcode: 176056

Find your local number: <https://mindengross.zoom.us/u/ab6wbpNovu>



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. CV-21-00659187-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**NOTICE OF MOTION**

**MINDEN GROSS LLP**  
Barristers and Solicitors  
2200 - 145 King Street West  
Toronto, ON M5H 4G2

**Raymond M. Slattery** (LSO# 20479L)  
[rslattery@mindengross.com](mailto:rslattery@mindengross.com)  
Tel: 416-369-4149

**Sepideh Nassabi** (LSO# 60139B)  
[snassabi@mindengross.com](mailto:snassabi@mindengross.com)  
Tel: 416-369-4323

Lawyers for the Applicant

**TAB 2**

Court File No. CV-21-00659187-00CL

**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. I am a significant shareholder and director of Hydrx and I am the Applicant in these CCAA Proceedings. 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.

- 2 -

2. I swear this Affidavit in support of an Order, among other things, extending the stay period to and including August 2, 2021 (the “**Extended Stay Period**”).

3. All terms not otherwise defined herein have the meaning ascribed to them in:

- (a) the Initial Order of the Honourable Justice Hainey dated March 22, 2021 (the “**Initial Order**”) in the Applicant’s proceedings under the CCAA (the “**CCAA Proceedings**”), a copy of which is appended hereto as **Exhibit “A”**;
- (b) my affidavit sworn March 19, 2021, in the support of the commencement of the CCAA Proceedings (the “**March 19 Serafino Affidavit**”), a copy of which is appended hereto, without exhibits, as **Exhibit “B”**;
- (c) the Amended and Restated Initial Order of the Honourable Justice Hainey dated March 31, 2021, a copy of which is appended hereto as **Exhibit “C”** ; and,
- (d) my affidavit sworn March 29, 2021 in support of the relief sought in respect of the Amended and Restated Initial Order (the “**March 31**

**Serafino Affidavit**”), a copy of which is appended hereto, without exhibits, as **Exhibit “D”**.

### **The Stay Period**

4. Pursuant to the Initial Order, a stay of proceedings was granted until and including April 1, 2021 (“**Stay Period**”). Pursuant to the Amended and Restated Initial Order, the Stay Period was extended to and including May 3, 2021. I am now seeking a 90-day extension of the Stay Period to and including August 2, 2021.

### **Post Initial Order Activities**

5. As set out in the March 19 Serafino Affidavit and March 31 Serafino Affidavit, the CCAA Proceedings were sought, in part, to bring together the Re-Start Group to fund the re-start of the Hydrx business operations and to drive value through third party co-packing and the other relationships that would permit Hydrx to meet its liabilities as they come due and to maximize the value of the business for the benefit of the Hydrx stakeholders.

6. During the initial 10-day Stay Period granted under the Initial Order, Hydrx waited for clearance to commence cannabis operations from the Monitor. During that waiting period, Hydrx completed many tasks needed to re-start its

operations as required under the *Cannabis Act*, the regulations and the Hydrx internal Standard Operating Procedures (“SOPs”).

7. Since the Hydrx Production Facility had been subject to a planned shutdown from March of 2020 to the commencement of the CCAA Proceedings, there were many tasks that needed to be completed in order to re-start business operations including but not limited to:

- (a) Changing all air filters;
- (b) Inspecting all HVAC equipment;
- (c) Pest control inspections;
- (d) Fire suppression system inspections;
- (e) Re-certification of scales;
- (f) Maintenance on environmental controls and logging;
- (g) Standard maintenance of equipment and certain required repairs; and,
- (h) Full sanitizing of the Hydrx Production Facility.

8. In addition to the above:

- (a) Two microwave extraction machines were decommissioned and relocated to the loading dock and shrink wrapped as these machines are of no use or value to Hydrx.
- (b) The supporting infrastructure for the extraction machines were repurposed and a cryo-ethanol extraction system was installed.

- (c) The Hydrx Standard Operating Procedures were also reviewed and updated to ensure compliance with regulatory changes and to promote economic efficiencies.

### **Post Amended and Restated Initial Order Activities**

9. Since the granting of the Amended and Restated Initial Order, Hydrx has commenced its re-start operations, particulars of which are described below.

#### **Extraction Services**

10. With re-start operations in effect, Hydrx has commenced extraction services. Third party contract partners of Hydrx have invested in extraction equipment in the amount of \$200,000 and Hydrx has made arrangements to utilize this equipment. Accordingly, Hydrx's extraction capacity has rapidly expanded.

#### ***Cold Pressed Rosin Extract Production***

11. The first product to enter production was cold pressed rosin extracts using equipment at the Hydrx Production Facility. The equipment was brought on site by a Hydrx customer. The rosin will be packaged for retail sale.

### *Cyro-Ethanol Extraction Production*

12. The extraction room at the Hydrx Production Facility went into production to perform cryo-ethanol extraction services for certain business-to-business customers (“**B2B**”).

13. The B2B service involves a licensed producer growing the flower, shipping the flower to Hydrx and Hydrx extracting the cannabis resin.

14. The Restart Group has funded the capital expenditures required for this project. Phase 1 commenced on April 9, 2021, and provides production capacity of 36kgs per day of input material. Phase 2 is scheduled to commence in May of 2021 with the addition of new larger processing equipment that will increase production to 72kgs per day. Additional equipment has been sourced and will be ordered shortly that will serve to increase production capacity to 600kg per day.

15. In terms of revenue, the B2B business is generating \$35,000 for phase 1 production and will be scaled up to \$70,000 per month in May and up to \$800,000 by December of this year. This revenue is over and above the projected revenue set out in the Cash Flow Forecast which is appended to the Second Report of the Monitor.



## **The Ontario Cannabis Store**

16. On April 16, 2021, Hydrx was accepted as a vendor to the Province of Ontario. The submission deadline for seeking vendor approval was April 9, 2021. Hydrx submitted the required application materials on March 26, 2021.

17. The Ontario Cannabis Store (“OCS”), which is Ontario’s only online retailer and wholesaler of legal recreational cannabis, is the single largest cannabis customer in Canada.

18. The first two products to be sold at the OCS are beverages for which Hydrx is contracted to produce 150,000 units. This contract will generate revenue in excess of \$600,000 over the next 120 days. This revenue is over and above the projected revenue set out in the Cash Flow Forecast which is appended to the Second Report of the Monitor.

19. In order to produce the beverages, Hydrx has made the necessary arrangements to utilize equipment that has been purchased by a Hydrx customer. It is anticipated that the production equipment will arrive at the Hydrx Production Facility for installation and commissioning in early May of 2021.

## Regulatory Compliance

20. Hydrx is in full regulatory compliance with all of its obligations under its Health Canada licenses.

21. In order to provide the Monitor and the Court with comfort that production operations are in full compliance with all regulations, Hydrx commissioned a Regulatory and Operational Compliance Monitor's Report dated April 23, 2021 (the "**Regulatory Compliance Report**") from Samuel Bouabane of Libra Advisory, a boutique consulting service that specializes in providing consulting advice on cannabis compliance matters. A copy of this Regulatory Compliance Report is attached hereto and marked as **Exhibit "E"**.

## NECESSITY TO REPLACE PHILIP HEMANS

22. In order to maintain compliance with Health Canada regulations respecting designated personnel, Hydrx requires, among other things, a designated responsible person in charge of the Hydrx Production Facility ("**RPIC**"). The RPIC has the statutory power to lock out any person from the Hydrx Production Facility. The role of the RPIC is integral to the Hydrx business.

23. At the time of my March 31 Serafino Affidavit, the RPIC was Philip Hemans ("**Hemans**").

24. As previously indicated in my March 31 Serafino Affidavit, I had reservations about both (i) Hemans' ability to perform the role of RPIC given his lack of experience (ii) his previous failure to ensure that the requisite Cannabis Excise Tax License was renewed on a timely basis – which required direct intervention on my part and payment of arrears in the amount of approximately \$28,000 by the Re-start Group in order to preserve the license; and (iii) his fidelity to Hydrx given his association with Goldstein and his role as a contractor to Cobra. However, after the Court granted the Initial Order on March 22, 2021, Hemans reached out to me directly and assured me that he would perform his RPIC duties in the best interests of Hydrx.

25. Unfortunately, it appears that my original misgivings about Hemans have been borne out.

**(a) Deliberately Prejudicial Comments To Health Canada**

26. On April 13, 2021, I was disappointed and surprised to receive a letter from Health Canada which is attached hereto and marked as **Exhibit “F”**. The letter indicates that Hemans and Health Canada had a telephone call on April 1, 2021, during which Hemans informed Health Canada that he had lost access to the site. This statement was false.

- 10 -

27. The incident that Hemans is referring to relates to his attendance with Goldstein at the Hydrx Production Facility on Saturday, March 28, 2021. The SOPs for authorized building access outside of normal operating hours require the presence of two authorized persons. As no prior notice was given that Hemans intended to attend, electronic access was denied as the authorized personnel were not present.

28. Hemans made the phone call to Health Canada without my knowledge or authorization, despite assuring me that he would act in a manner that would serve to preserve the status quo respecting compliance. I do not know what motivated Hemans to contact Health Canada. His access to the Hydrx Production Facility had not been revoked. The security protocol had simply not been satisfied.

29. Subsequent to the April 1, 2013 call to Health Canada, Hemans has attended at the Hydrx Production Facility without any issue but he chose not to inform Health Canada that he has had regular and unobstructed access. As a consequence, Health Canada has now been sending correspondence threatening to suspend Hydrx's licenses.

**(b) Refusal To Permit Ordinary Course Operations**

30. In addition, I am advised by Thomas Jefferd, the current Head of Security for Hydrx, and verily believe, that Hemans is refusing to grant Mr. Jefferd and Ms.

- 11 -

Carol-Ann Scott, the designated quality assurance person, access to the online licensing portal. Without such access, Hydrx is unable to file any amendments to update its license or to add any new products to the Hydrx sales platform. Such access is standard practice in the industry and the refusal by Hemans to permit designated and approved personnel from discharging their duties is jeopardizing the ability of Hydrx to operate.

31. By way of a specific example, Health Canada requires a 60 day period to review any new product and to provide any comments or concerns. Accordingly, once a new product is added to the sales platform via the online licensing portal, a period of sixty (60) days must pass from that date in order for Hydrx to be permitted to sell the product. Any delay represents a delay in product acceptance by Health Canada and the associated sales revenue being received by Hydrx.

32. As Hydrx is ramping up its business activity, it is essential that our RPIC is not an impediment to ordinary course operations. It is immaterial whether Hemans' conduct is by design or simply due to a lack of understanding or confidence in his role. The bottom line for me is that both his actions and his inaction are detrimental to the business of Hydrx and, as I have personally indemnified Hydrx for any operating losses, I am keenly aware of my personal financial exposure if Hemans is permitted to disrupt our business plan.

**(c) Failure To Submit Key Investor Report**

33. In addition, it has recently come to light that Hemans has failed to prepare and file the requisite key investor report required by Health Canada. Reminder letters were apparently sent to Hemans by Health Canada on January 29, 2021 and March 16, 2021, but these reminders were ignored. The subject report was due on March 31, 2021, and I am making the necessary arrangements for a late filing with Health Canada. A copy of the most recent Health Canada reminder notice is attached and marked as **Exhibit “G”**.

34. Pursuant to provision 12 of the Amended and Restated Initial Order, the Court ordered that no person shall take any steps that would cause Hydrx to be unable to conduct its business operations in compliance with Health Canada regulations. Irrespective of his motivation, Hemans’ failure to permit the designated personnel to perform their everyday duties is causing severe prejudice to Hydrx and impeding the ordinary course of business operations.

35. As a result of the foregoing, I felt compelled to write to Health Canada on April 14, 2021, and request the replacement of Hemans as RPIC with Thomas Jefferd. Thomas is the current Head of Security for Hydrx and is recognized by Health Canada. He has a thorough knowledge of cannabis business operations and

the regulatory requirements and is fully qualified to act as the RPIC for Hydrx. A copy of this email is attached hereto and marked as **Exhibit “H”**.

36. Health Canada has responded to my request to replace Hemans with an email dated April 21, 2021, in which they confirm that Hemans access to the license record has been restricted but will require a resolution of the board of directors before making the requested replacement. Obviously, given the deadlocked nature of the board of directors and Goldstein’s refusal to resign, the impasse is causing a serious risk to the Hydrx licenses.

### **Shareholders’ Meeting**

37. In an attempt to provide some clarity to our corporate structure, I called a special meeting of the shareholders of Hydrx to be held virtually and by teleconference on April 28, 2021 at 10:00 AM. The purpose of the meeting is to discuss the following:

- (a) Consider a resolution to remove a Goldstein as director and elect Thomas Jefferd as a new director; and
- (b) To receive a verbal report from me, as the independent director of Hydrx and from my counsel as to the status of the CCAA Proceedings.

The notice of the special meeting of shareholders is attached hereto and marked as **Exhibit “I”**.

38. On April 21, 2021, my counsel received a letter from Mr. Posen of Garfinkel Biderman (the “**Biderman Letter**”), in which Mr. Posen purports to be acting on behalf of Hydrx. Given the deadlocked nature of the board of directors of Hydrx, it has not been possible for Hydrx to formally retain its own counsel. As Garfinkle Biderman had historically acted for Goldstein, I assume that Mr. Posen was acting on instructions from Goldstein. Indeed, this assumption appears to be borne out by the fact that the Biderman Letter and my counsel’s response were attached by Goldstein to a recent letter he sent to the shareholders of Hydrx. A copy of the Biderman Letter is attached hereto and marked as **Exhibit “J”**.

39. I called the special meeting of shareholders in an attempt to regularize the corporate affairs of Hydrx and to give Hydrx the best possible opportunity to navigate the restructuring process. I had hoped that given his acknowledged conflict of interest, Goldstein would simply resign as a director of Hydrx. Indeed, in his email to me of February 21, 2021, Goldstein indicated his intention to resign. A copy of this email is attached here to as **Exhibit “K”**.

40. On April 22, 2021, my counsel responded to Mr. Posen by saying that the special meeting of shareholders would proceed and should Mr. Posen wish to challenge the legitimacy of the same, it may be necessary to schedule a motion to have Goldstein removed as a director of Hydrx pursuant to the statutory authority



- 15 -

afforded the Court under section 11.5 of the CCAA. This is not my preference as I would rather focus all of my efforts on moving toward a successful restructuring. However, should such a motion be necessary to ensure that Goldstein does not unreasonably impair the ability of Hydrx to complete a viable plan of arrangement then I am prepared to bring the same in the best interests of Hydrx and its stakeholders. A copy of this letter is attached here to as **Exhibit “L”**.

41. The receipt of the Biderman Letter has brought into sharp focus the increasing need of Hydrx to retain its own counsel. Of necessary, due to the deadlocked nature of the board of directors, I commenced this process in the only way I could, as an “interested person”. While I am acting in the best interests of Hydrx and my counsel is acting in my best interests, Goldstein’s refusal to resign has made it impossible for Hydrx to properly retain Minden Gross LLP as its counsel. While this may serve Goldstein’s interests, it does not serve the interests of Hydrx and its stakeholders. As such, should Goldstein refuse to resign, an expedited removal motion will be necessary in order to ensure Hydrx is properly protected and represented throughout this process.

### **Cash Flow Forecast and Indemnity Backstop**

42. As is demonstrated in the Cash Flow Forecast to be appended to the Second Report of the Monitor, Hydrx is forecast to have sufficient liquidity to fund

its obligations and the costs of the CCAA Proceedings through the end of the Extended Stay Period.

43. As previously indicated, in order to provide the Monitor and the Court with the necessary comfort to permit restart operations to commence, I have provided my personal indemnity to cover any operating losses and repairs that may be required to Hydrx equipment. A copy of my Indemnity is attached hereto and marked as **Exhibit “M”**.

#### **SALE AND INVESTMENT SOLICITATION PROCESS**

44. I, and other representatives of Hydrx, have been working with the Monitor to identify and address the key issues of concern that need to be resolved before a restructuring can be effected.

45. My principal concern is that we do not take any steps that would prejudice the ability of Hydrx to successfully complete a conventional restructuring. From my perspective, the critical issue that needs to be determined is the quantum of debt that Hydrx owes to Cobra.

46. In my view, this issue is straightforward. Goldstein repeatedly breached his fiduciary obligations as a director of Hydrx and he should not be permitted to profit from such breaches at the expense of Hydrx and its stakeholders. Once the

issue of what, if anything, is owing to Cobra as a secured creditor of Hydrx is finally decided, I fully expect that Hydrx will redeem any secured debt and file a Plan of Arrangement. This will obviate the need for a sales process.

47. I have a related concern. Cobra entered into a loan arrangement with Windsor in which Cobra pledged as collateral security the assets of Hydrx it had acquired when it purchased the Aphria Debenture. This is relevant in connection with the expected redemption of debt. Specifically, Hydrx does not want to find itself with a determined secured debt amount owing to Cobra only to have a residual secured creditor right existing in favour of Windsor over its assets as a result of Cobra pledging the assets of Hydrx to Windsor in order to support its loan obligation.

48. Hydrx needs to know what amount is needed to eliminate the secured debt purportedly owing to Cobra and/or Windsor. It is in the interests of all concerned to render transparent the entitlement of both Cobra and Windsor and to ensure both parties are bound by the decision of either the Court or a privately appointed arbitrator.

49. I am firmly of the view that all efforts should be directed to resolving the issue of the entitlement of Cobra / Windsor before any sales process is initiated unnecessarily.

**Good Faith**

50. Since the granting of the Initial Order and the Amended and Restated Initial Order, I have acted in good faith and with due diligence to, among other things, capitalize the restart of Hydrx business operations, provide a personal indemnity to support these operations, work with Health Canada to ensure continued compliance with all regulations, apprise the stakeholders of the CCAA proceedings, liaise with co-packing parties, among others, all with the assistance and oversight of the Monitor.

**Monitor Supports Extension of the Stay Period**

51. I understand that the Monitor is supportive of the proposed extension of the Stay Period and believes that it will not materially prejudice any creditor.

**Conclusion**

52. It is necessary and in the best interests of Hydrx and its stakeholders that the Stay Period be extended. Re-start operations are underway which will preserve and maximize the value of the Hydrx business for its stakeholders. The extension of the Stay Period is also necessary in order to address and finally determine the quantum of secured indebtedness owing to Cobra in order to permit Hydrx to

redeem this secured debt and effect a conventional restructuring through the filing of a plan of arrangement.

53. I make this Affidavit in support of an Order, among other things, extending the Stay Period to and including August 2, 2021 and for no other improper purpose.

54. 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 26<sup>th</sup> day of )  
April, 2021 )

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

A Commissioner, etc.  
**Commissioned by Video Conference**  
**Sepideh Nassabi (LSO# 60139B)**

DocuSigned by: )  
*[Signature]* )  
FE97100D6F50476... )

**DOMENICO SERAFINO**

This is **Exhibit "A"** referred to  
in the Affidavit of  
Domenico Serafino  
Sworn this 26<sup>th</sup>  
day of April, 2021.

DocuSigned by:

*Sepideh Nassabi*

9A5A073DASSE422  
A Commissioner for Taking Affidavits

Court File No. CV-21-00659187-00CL

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**

THE HONOURABLE MR. ) MONDAY, THE 22<sup>nd</sup>  
 )  
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 Inc. 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](http://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.

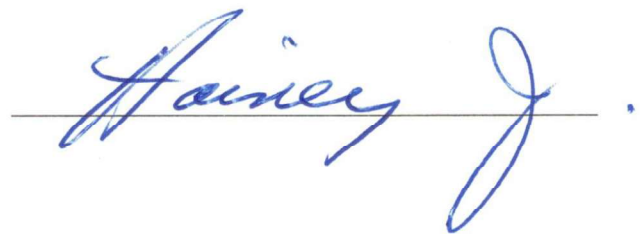
30. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of Hydrx, the Business or the Property.

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.

A handwritten signature in blue ink, appearing to read "Ainey J.", is written over a horizontal line. The signature is cursive and includes a large, stylized flourish at the end.



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 SCIENTIUS PHARMA INC.

Court File No. CV-21-00659187-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**INITIAL ORDER**

**MINDEN GROSS LLP**  
Barristers and Solicitors  
2200 - 145 King Street West  
Toronto, ON M5H 4G2

**Raymond M. Slattery (LSO# 20479L)**  
Tel: 416-369-4149  
[rslattery@mindengross.com](mailto:rslattery@mindengross.com)

**Sepideh Nassabi (LSO# 60139B)**  
Tel: 416-369-4323  
[snassabi@mindengross.com](mailto:snassabi@mindengross.com)

Lawyers for the Applicant

This is **Exhibit "B"** referred to  
in the Affidavit of  
Domenico Serafino  
Sworn this 26<sup>th</sup>  
day of April, 2021.

DocuSigned by:

*Sepideh Nassabi*

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.

**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

- 3 -

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.

- 4 -

- (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

- 11 -

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, it's 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 2<sup>nd</sup> 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.

- 16 -

(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:

- 17 -

- (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:

<b>Current Assets: \$2,504,811</b>	
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:

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

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;

- 24 -

- (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;

- 25 -

- (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;

- 30 -

- (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

- 35 -

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 3<sup>rd</sup> 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:



- 39 -

- (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

- 43 -

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

- 45 -

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 19<sup>th</sup> 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 "C"** referred to  
in the Affidavit of  
Domenico Serafino  
Sworn this 26<sup>th</sup>  
day of April, 2021.

DocuSigned by:

*Sepideh Nassabi*

.....  
A Commissioner for Taking Affidavits

Court File No. CV-21-00659187-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE MR. ) WEDNESDAY, THE 31<sup>ST</sup>  
 )  
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**")



**AMENDED AND RESTATED INITIAL ORDER  
(amending Initial Order dated March 22, 2021)**

THIS APPLICATION, made by Domenico Serafino (the "**Applicant**") as a 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 by ZOOM videoconference at 330 University Avenue, Toronto, Ontario.

ON READING the affidavits of Domenico Serafino sworn March 29, 2021 and March 31, 2021 and the Exhibits thereto (the "**Serafino Affidavit**"), and the first report of the monitor, Schwartz Levitsky Feldman Inc. (the "**Monitor**") dated March 29, 2021 (the "**Report**"), the factum of the Applicant, the affidavits of Richard Goldstein sworn March 29, 2021 and March 30, 2021 and the Exhibits thereto, and on hearing submissions for counsel for the Applicant, counsel for Cobra Ventures Inc., counsel for the Monitor and such other parties listed on the counsel slip, no one appearing for any other party although duly served as appears from the affidavit of service of Hayley Morgan sworn March 30, 2021,



## SERVICE AND DEFINITIONS

1. THIS COURT ORDERS that the time for serving and filing of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.
2. 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

3. THIS COURT ORDERS that the Applicant is a person interested in the matter pursuant to section 11 of the CCAA.
4. 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

5. 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.
6. 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.

7. 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.

8. 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.

9. 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 the date of the Initial Order; (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**

10. THIS COURT ORDERS that until and including May 3, 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.

11. 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.

12. 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**

13. 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**

14. 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**

15. 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**

16. 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**

17. 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**

18. THIS COURT ORDERS that Schwartz Levitsky Feldman Inc. 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.

19. 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.

20. 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.

21. 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.

22. 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.

23. 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.

24. 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 Hydrx as part of the costs of these proceedings. Hydrx is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a bi-weekly basis.

25. 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.

26. THIS COURT ORDERS that the Monitor, counsel to the Monitor, 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 \$250,000, 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 28 and 30 hereof.

### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

27. THIS COURT ORDERS that the Administration Charge shall have first ranking priority to the maximum amount of \$250,000.

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

29. THIS COURT ORDERS that the Charge shall constitute a charge on the Property and such Charge 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.

30. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, Hydrx shall not grant any Encumbrances over any Property that ranks in priority to, or *pari passu* with, any of the Administration Charge, unless Hydrx also obtains the prior written consent of the Monitor, and the beneficiaries of the Administration Charge, or further Order of this Court.

31. THIS COURT ORDERS that the Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charge (collectively, the "**Chargees**") 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 the 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 Hydrx, and notwithstanding any provision to the contrary in any Agreement:

- (a) 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 creation of the Charge; and
- (b) the payments made by Hydrx pursuant to this Order and the granting of the Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

### **SERVICE AND NOTICE**

32. 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.

33. 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](http://www.slfinc.ca)

34. 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**

35. 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**

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

37. 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.

38. 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.

39. 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.

40. 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.

41. 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.

A handwritten signature in blue ink is written over a horizontal line. The signature is cursive and appears to read "Hawley J".

106  
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 SCIENTIUS PHARMA INC.

Court File No. CV-21-00659187-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**AMENDED AND RESTATED INITIAL ORDER**

**MINDEN GROSS LLP**

Barristers and Solicitors  
2200 - 145 King Street West  
Toronto, ON M5H 4G2

**Raymond M. Slattery (LSO# 20479L)**

Tel: 416-369-4149  
[rslattery@mindingross.com](mailto:rslattery@mindingross.com)

**Sepideh Nassabi (LSO# 60139B)**

Tel: 416-369-4323  
[snassabi@mindingross.com](mailto:snassabi@mindingross.com)

Lawyers for the Applicant

This is **Exhibit “D”** referred to  
in the Affidavit of  
Domenico Serafino  
Sworn this 26<sup>th</sup>  
day of April, 2021.

DocuSigned by:

*Sepideh Nassabi*

9A5A073DA59E432

.....  
A Commissioner for Taking Affidavits

Court File No. CV-21-00659187-00CL

**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. I am a significant shareholder and one of two remaining directors of Hydrx. The other director is Richard Goldstein ("**Goldstein**"). 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.



2. All terms not otherwise defined herein have the meaning ascribed to them in: (a) the Initial Order of the Honourable Justice Hainey dated March 22, 2021 (the “**Initial Order**”) in the Applicant’s proceedings under the CCAA (the “**CCAA Proceedings**”), a copy of which is appended hereto as **Exhibit “A”**; (b) my previous affidavit sworn March 19, 2021, in the support of the commencement of the CCAA Proceedings (the “**March 19 Serafino Affidavit**”), a copy of which is appended hereto, without exhibits, as **Exhibit “B”**;

3. I swear this Affidavit in support of a motion for an amended and restated Initial Order (the “**Amended and Restated Initial Order**”). The proposed Amended and Restated Initial Order, among other things, seeks the following relief:

- (a) An extension of the Stay Period to and including May 3, 2021;
- (b) The approval of the Administration Charge (defined below);
- (c) Authorization for the return of the C-Tech Machine (defined below) to its owner in the United Kingdom.

4. All references to monetary amounts in this affidavit are in Canadian dollars.

### **Introduction and Background**

5. Hydrx is a privately held cannabis company. It is an approved licensed holder with Health Canada under the *Cannabis Act* which license permits Hydrx to

cultivate, wholesale, buy, process, and sell cannabis. Hydrx operates a 46,000 square foot production facility that is fully regulatory compliant.

6. Given the insolvent financial position of Hydrx, the deadlocked nature of its board of directors and the potential adverse consequences flowing from the numerous conflicts of interest that burden Goldstein, I sought protection for Hydrx under the CCAA as an “interested person”. The facts underlying the need for this protection are set out in the March 19 Serafino Affidavit and such facts resulted in the issuance of the Initial Order.

7. Among other things, the Initial Order:

- (a) appointed Schwartz Levitsky Feldman Inc. as monitor (in such capacity, the “**Monitor**”);
- (b) granted an initial 10-day stay of proceedings in favour of Hydrx.

8. The Initial Order was risk and revenue neutral to Goldstein and Cobra as I did not seek any debtor-in-possession authorization or any charges.

### **Good Faith**

9. Since the granting of the Initial Order, I have acted in good faith and with due diligence to, among other things:

- (a) maintain Hydrx’s regulatory compliant status quo;



- 4 -

- (b) deploy a communication plan notifying Goldstein, Cobra, Health Canada and other stakeholders of the CCAA Proceedings;
- (c) evaluate and explore the potential profitability associated with the letters of intent which were provided to the Court as part of the Confidential Appendices with respect to the Initial Order; and,
- (d) work at developing a plan to preserve the enterprise value of Hydrx,

all with the assistance of the Monitor.

### **Re-Start Investor Group Agrees to Continue Funding**

10. As set out in the March 19 Serafino Affidavit, the Re-Start Investor Group agreed to finance and pay all costs of Hydrx during the 10-day initial stay period to keep the cash flow of Hydrx revenue and risk neutral to Cobra.

11. The Re-Start Investor Group has agreed to do the same with respect to the proposed 30 day extension of the Stay Period sought in the Amended and Restated Initial Order, with the exception that it proposes not to continue paying the *per diem* cost of the monthly loan interest payment that Cobra owes to Windsor.

12. This loan was entered into by Cobra with Windsor, without the prior knowledge or consent of me or Hydrx, and it should be the responsibility of Cobra to make all payments going forward.

13. It is anticipated that the Re-Start Investor Group will seek debtor-in-possession financing (the “**DIP Loan**”) and related priority charge at the next comeback date and that, in advance of that hearing, the proposed term sheet in respect of the DIP Loan will be circulated to Cobra (and potentially other parties) to provide them with an opportunity to match the terms of the DIP Loan.

### **Administration Charge**

14. The proposed Amended and Restated Initial Order provides for a Court-ordered charge in favour of the Monitor, as well as counsel to the Monitor and myself, over all assets of Hydrx, to secure payment of professional fees and disbursements incurred in connection with services rendered in respect of these CCAA Proceedings up to a maximum amount of \$250,000 (the “**Administration Charge**”). The Administration Charge is proposed to rank ahead of and have priority over all of the other charges.

15. Hydrx requires the expertise, knowledge and continued participation of the Monitor and legal counsel during these CCAA Proceedings. I am currently working with the Monitor to evaluate the options available to Hydrx, including the potential merits of a sale and investor solicitation process (“**SISP**”). It is anticipated that a recommended path forward will be presented to the Court at the next hearing date should my request for the extension of the stay of proceedings be granted.

16. I have engaged in lengthy discussions with the Monitor in order to determine a reasonable estimate of the appropriate amount for the Administration Charge. I understand that the Monitor supports the request for the Administration Charge and the quantum of the same.

### **Stay Extension**

17. Under the Initial Order, the Court granted the initial Stay Period until and including April 1, 2021. Pursuant to the Amended and Restated Initial Order, I am seeking an extension of the Stay Period until and including May 3, 2021. It should be noted that the expiration of the 30 day period lands on Saturday, May 1, 2021.

18. An extension of the existing stay of proceedings is necessary in order to permit a thorough evaluation of the options available to Hydrx, including, without limitation, a review of and negotiation with each party who has submitted an LOI to arrive at definitive agreements, the potential merits of a SISP and, more generally, the framework of a restructuring plan that will preserve enterprise value while also providing the existing stakeholders with the best opportunity to participate in the future economic prosperity of Hydrx.

19. As is demonstrated in the Cash Flow Forecast appended to the Monitor's report, with funding from the Re-Start Investor Group, Hydrx is forecast to have

sufficient liquidity to fund its obligations and costs of the CCAA Proceedings through the end of the extended Stay Period.

20. I understand that the Monitor supports the request for the extension of the Stay of Proceedings.

**C-Tech Innovation Ltd.**

21. As indicated in the March 19 Serafino Affidavit, C-Tech Innovation Ltd. holds a purchase money security interest over a large extraction machine (the “**C-Tech Machine**”). There is approximately \$400,000 (USD) outstanding to the owner of the C-Tech Machine.

22. Hydrx is not using the C-Tech Machine and the C-Tech Machine is no longer of value to Hydrx.

23. The C-Tech Machine is currently located at the Hydrx Production Facility.

24. During the 10-day stay period under the Initial Order, representatives of Hydrx have been in discussions with the owner of the C-Tech Machine to reduce/extinguish the debt owing to it by returning the C-Tech Machine to it in the United Kingdom.

25. My understanding from our legal counsel is that Hydrx should seek the Court's authorization to have the C-Tech Machine returned to the owner.

**Rydan Financial Inc.**

26. I understand, and verily believe, that our legal counsel has been in touch with a representative of Rydan and our counsel has been provided with:

- (a) Confirmation of PPSA assignment registration; and,
- (b) Confirmation of PPSA discharge registration,

both of which are attached hereto as **Exhibit "C"**.

27. Rydan is no longer owed any money by Hydrx.

**Conclusions**

28. Since the granting of the Initial Order, I have acted in good faith and with due diligence to, among other things, apprise the stakeholders and Goldstein of the CCAA Proceedings, work with the entities that have delivered letters of intent, and maintain the enterprise value of Hydrx for the benefit of all stakeholders.

29. The proposed Amended and Restated Initial Order is in the best interests of Hydrx and its stakeholders. The requested relief is designed to be as revenue and risk neutral as possible to Cobra and other creditors of Hydrx. In order to properly

evaluate the options and opportunities available to Hydrx, the requested breathing space is essential. Absent an order granted for the sought relief, the preservation of enterprise value (through the maintenance of regulatory compliance and contract co-party confidence) will be unnecessarily jeopardized. Hydrx has an opportunity to restart its business and restructure its finances but this opportunity is dependent upon the issuance of the Amended and Restated Initial Order.

30. I make this Affidavit in support of the proposed Amended and Restated Initial Order and for no other or improper purpose.

31. 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 29<sup>th</sup> day of )  
March, 2021 )

DocuSigned by: )  
*Sepideh Nassabi* )  
9A5A673DA59F432 )

A Commissioner, etc.  
**Commissioned by Video Conference**  
**Sepideh Nassabi (LSO# 60139B)**

DocuSigned by: )  
*Domenico Serafino* )  
FE97100D6F50476... )  
**DOMENICO SERAFINO**

This is **Exhibit "E"** referred to  
in the Affidavit of  
Domenico Serafino  
Sworn this 26<sup>th</sup>  
day of April, 2021.

DocuSigned by:

*Sepideh Nassabi*

9A5A673DA59E432

.....  
A Commissioner for Taking Affidavits

**Monitoring Report  
Regulatory and Operational Compliance  
Hydrx Farms Ltd.**



# Regulatory and Operational Compliance Monitoring Report for Hydrx Farms Ltd.

Prepared By: Samuel Bouabane  
Principal Consultant  
Libra Advisory Inc.

A handwritten signature in blue ink, appearing to be "S. Bouabane".

Signature

APR 23, 2021  
Date



**Monitoring Report  
Regulatory and Operational Compliance  
Hydrx Farms Ltd.**



**Background:**

Hydrx Farms Ltd. requires a third-party firm to provide regulatory and operational compliance monitoring services with respect to the Cannabis Act and Regulations, and specifically, Good Production Practices (GPP) as outlined in the Regulations.

Libra Advisory Inc. is a privately owned, independently operated consulting firm that provides quality, regulatory and compliance consultation services to operators in consumer packaged goods industries including pharmaceuticals, controlled substances, natural health products, food and cannabis.

Libra Advisory Inc. is qualified to practice such activities based on quality, regulatory and industry experience. Please refer to the enclosed curriculum vitae for Samuel Bouabane, Principal Consultant, Libra Advisory Inc.

**Executive Summary:**

A four (4) hour onsite inspection was performed at Hydrx Farms Ltd. on April 15, 2021 followed by a review of select site documentation with respect to site regulatory and operational compliance. The review was conducted by Samuel Bouabane, Principal Consultant, Libra Advisory Inc., and will be conducted as part of an ongoing review of regulatory and operational compliance as requested by a court appointed monitor, Alan Page.

Despite minor observations and recommendations described herein, the site was found to be compliant and operating within the permissions of their site licence that was issued under the Cannabis Regulations, which include standard cultivation, standard processing, medical sales and sales authorization for all classes of cannabis products.

Note: Consistent with Health Canada's model for inspection, major and critical observations are only issued in cases where public safety concerns, fraud or malicious/illegal activity are observed.

**Monitoring Report  
Regulatory and Operational Compliance  
Hydrx Farms Ltd.**



**Scope:**

The enclosed report provides a point-in-time review of regulatory and operational compliance of the Hydrx Farms Ltd. site located at 1130 Champlain Court, Whitby, ON, L1N 6K9, as performed by Samuel Bouabane, Principal Consultant, Libra Advisory Inc., as a four (4) hour on-site inspection (April 15, 2021), followed by an eight (8) hour desktop documentation review (April 21, 2021).

The on-site meeting was hosted by the following attendees from Hydrx Farms Ltd.:

- Thomas Jefferd, Head of Security (acting Responsible Person)
- Carol-Ann Scott, Quality Assurance Person
- Trevor Folk, company representative

The following was reviewed:

- Physical site inspection (tour) and review of ongoing operations
- Health Canada inspection findings and responses
- Select Standard Operating Procedures (SOPs)
- Select Deviations and Complaint Investigations
- Close out discussion

This report serves solely to describe observations and recommendations as presented. It does not require any response. No edits, changes, additions, removals or clarifications have been made by the site with respect to this report.

**Monitoring Report  
Regulatory and Operational Compliance  
Hydrx Farms Ltd.**



**Key Observations/Recommendations:**

**1. Physical site inspection and review of ongoing operations:**

a) Review of Site Licence

The site is currently licensed to perform standard cultivation, standard processing and medical sales. The site also possesses sales authorization for all classes of cannabis products. Ancillary to these licensed activities, the site is capable of performing research and development (R&D) activities limited to cultivation and processing based R&D, which could include innovation in harvesting and drying techniques, formulation trials and packaging and product stability trials.

The site does not possess an exclusive Cannabis R&D Licence for human sensory testing, and therefore, it is not permitted to test any products on humans.

Based on on-site observation of site activities and review of the company's business plans, the site is operating and will continue to operate within the permissions of its licences.

b) Organizational Security Plan

Section 45 of the *Cannabis Regulations* requires licence holders to maintain and submit an updated Organization Security Plan. Pursuant to Health Canada's website, *Manage your cannabis licence: Cultivation, processing or sale for medical purposes*, licence holders are required to submit updates to their Organizational Security Plan to Health Canada within 5 days of making a change (for example, making a change with respect to key personnel associated with the licence).

The site is currently experiencing a change with respect to the Responsible Person, which is a key role as outlined in the *Cannabis Regulations*. Although a formal decision has not been made with respect to the individual who will occupy such role by Health Canada, it is recommended for the site to provide an updated Organizational Security Plan to Health Canada immediately.

Based on discussion with the Hydrx team, Hydrx maintains the following individuals in key roles, and these individual possess valid Health Canada Security Clearances:

- Thomas Jefferd, Responsible Person/Head of Security/Master Grower/Corporate Officer
- Carol-Ann Scott, Quality Assurance Person

c) Regulatory Reporting

While on site, the site demonstrated that key regulatory reporting such as Monthly Sales and Inventory Reports and Key Investor Reports are being performed and submitted, and will continue to be prepared and submitted, thereby confirming that it is meeting its regulatory reporting obligations per the *Cannabis Regulations*.

**Monitoring Report  
Regulatory and Operational Compliance  
Hydrx Farms Ltd.**



d) Site Tour

- i) While entering the production corridor, it was mentioned that personnel and visitors who are not coming in contact with cannabis product do not need to perform full gowning with respect to covering of “street” clothing. Section 88.92 of the Cannabis Regulations, with respect to Good Production Practices, requires a licence holder for processing to ensure that any individual who enters into a part of a building where cannabis is produced, packaged, stored, etc. to wear clothing, footwear and protective coverings that are in good, clean and sanitary condition.

It is recommended that the site take measures to ensure that all individuals who enter the production area are fully gownned, irrespective of their purpose for entering the area.

- ii) It was noted during the tour that the site’s physical security exceeds the requirements of the Cannabis Regulations. For example, the site maintains access controls to exit the Sanitation Room into the Maintenance Area behind the lab. As per Section 68(1) of the *Cannabis Regulations*, the site is only required to restrict access to operations and storage areas where cannabis is present.

The introduction of security in excess could cause unnecessary administrative burden and concerns for internal compliance, and as such, it is recommended that the site consider disabling such security devices and ensure SOPs and the site’s Organizational Security Plan are reflective of such changes.

- iii) During the site tour, certain products located in the Secure Storage Room identified as the Level 9 Vault, were greater than one (1) year old; however, no expiry date was indicated on the product labels.

Although Part 7 of the Cannabis Regulations does not require an exact expiry date to be indicated on the product label, it is recommended that the site take proactive measures to ensure the stability, quality and safety of all materials intended for human consumption. This may include but is not limited to, performing acceptable quality limit sampling and testing, conducting ongoing stability studies, trending product complaint and quality data, and performing annual product quality review.

Despite this recommendation, the site is permitted to continue to sell existing QA released cannabis product inventory as part of its medical sales licence.

- iv) During the site tour, the site was found to be drying cannabis in the Drying Room. This activity was found to be appropriately documented and no issues were noted.

## Monitoring Report Regulatory and Operational Compliance Hydrx Farms Ltd.



### 2. Health Canada Inspection Findings and Responses

The site's most recent Health Canada Inspection was conducted on July 20-29, 2020. A total of eight (8) multi-part minor observations were issued. As part of the inspection, Health Canada issued a 'Compliant' rating for the site with no major or critical violations.

The site submitted its final round of monitoring and follow up responses to Health Canada on November 30, 2020 with no further follow-up or recourse required by Health Canada.

Final responses included enhancement to process related controls and are appropriate and sustainable based on site operations. There are no concerns with respect to the responses; however, the site should take steps to review the responses to ensure regulatory obligations based on the responses will continue to be met, particularly due to the change in management.

### 3. Select Standard Operating Procedures (SOPs)

A review of the site's SOP Table of Contents, as well as select SOPs were reviewed as part of the review of the site Quality Management System. These include the following:

- SOP-MMP-0004 Complaint Handling and Investigation
- SOP-MMP-0005 Master Sanitation Program
  - SOP-MMP-0005 Master Sanitation Schedule Cultivation
  - SOP-MMP-0005 Master Sanitation Schedule Manufacturing
- SOP-MMP-0031 Storage and Inventory Control

The site's SOP Table of Contents and the selected SOPs were found to be compliant and appropriate based on existing site operations.

The site is actively planning to manufacture new cannabis products within the facility. SOPs will need to be developed and approved for the manufacture of these new products. Further review of actual operations in relation to specific SOPs (new and existing) will be conducted during future on-site monitoring visits.

### 4. Deviations and Complaint Investigations

Two deviations were reviewed, these include:

- i) Deviation #: DVR-PLN-SAN-2020-05 and DVR-PLN-SAN-2020-06  
This record described deviations related to the approved Master Sanitation Plan, such that certain sanitation activities would not be performed during a temporary site shut down that occurred during the COVID-19 pandemic. The investigations were found to be complete with appropriate regard for risks and actions required to be performed as a result of the operational shut down.

**Monitoring Report  
Regulatory and Operational Compliance  
Hydrx Farms Ltd.**



- ii) Deviation #: DVR-QA-PRO-2021-01  
This record described a deviation with respect to discrepancies in physical inventory quantities as observed during secure room inventory verification. The site determined that the inventory discrepancy occurred as a result of transcription error in a batch record. The deviation remains to be completed.

**5. Close out Discussion**

During a close out meeting held on site on April 15, 2021, with the individuals listed below, the following was discussed:

Thomas Jefferd, Head of Security (acting Responsible Person)  
Carol-Ann Scott, Quality Assurance Person (QAP)  
Trevor Folk, company representative  
Samuel Bouabane, Principal Consultant, Libra Advisory Inc.

- a) Manufacturing activities being conducted at the site

The QAP provided insight into the manufacturing activities currently being conducted at the site. The QAP is actively working to qualify the activities and ensure necessary batch record documentation is available to demonstrate that GPP, quality and inventory concerns are addressed prior to the manufacture of new batches.

- b) Preventive Control Plan (PCP)

The site is undertaking the production of new extract products. Although the site maintains a site PCP, the site was reminded that as per Section 88.94 of the *Cannabis Regulations*, the site must prepare, retain, maintain and implement a PCP that is approved by the QAP prior to the conduct of any manufacturing activities related to edibles and extracts. More specifically, a separate or supplemental PCP may be required based on unique process or ingredient hazards that are inherent for the manufacture of an edible or extract as opposed to a general PCP for the entire facility. The site is required to approve and implement the PCP prior to manufacturing such products.

A future monitoring visit will confirm that appropriate PCPs have been created, approved and implemented, and that a system is in place to routinely update the PCPs as living documents based on changes that site may make from time-to-time respect to changes in suppliers, ingredient, manufacturing process, specifications, etc.

**Monitoring Report  
Regulatory and Operational Compliance  
Hydrx Farms Ltd.**



c) Customer Complaints Investigation Process

During the meeting, it became apparent that clarifications to the customer complaints process may be required to ensure that Customer Service Representatives are able to appropriately discern between complaints that require investigation or adverse event reporting (eg. related to safety or quality), versus those related to matters such as price, product supply or product availability. This is required to ensure that complaints are appropriately investigated as per Section 19(2)(b) of the *Cannabis Regulations*.

d) Site Start Up Plan

The site was encouraged to develop and implement a site start up plan to ensure all of it's regulatory obligations with respect to GPP are appropriately addressed prior to full scaled operations. Such activities may include, but are not limited to, third party pest control, full sanitation, utilities, cannabis destruction, waste removal, physical security, human resources, insurance, etc.

A copy of the site start-up plan is pending.

**Conclusion:**

Based on the point-in-time on-site inspection conducted on April 15, 2021 and desktop documentation review conducted on April 21, 2021, the site was found to be operating in compliance with the Cannabis Act and Regulations.

Additional monitoring will be performed and reported on an ongoing basis.

# SAMUEL BOUABANE



## HIGHLIGHTS OF QUALIFICATIONS

---

- Management and leadership of quality and regulatory teams specializing in food, pharmaceuticals, cannabis, natural health products, clinical trials, retail, security, cultivation industries
- Business development and regulatory strategy for +100 companies
- Operational and quality knowledge of GxP principles
- Demonstrated ability to process map, develop and implement procedures
- Solid project management ability with strong interpersonal and communication skills

## CANNABIS, PHARMACEUTICAL AND CLINICAL EXPERIENCE

---

<b>Founder, Principal Consultant</b> Libra Advisory Inc.	Sep 2020 – Present
<b>Head of Quality and Regulatory (QAP)</b> New Leaf Canada Inc.	Sep 2020 – Present
<b>Quality Assurance Person</b> The Hypoint Company Limited	Dec 2020 – Present
<b>Quality Assurance Person</b> Transagro Inc. dba Hwy 8 Cannabis	Jan 2021 – Present
<b>Front Shop Supervisor/Pharmacy Assistant</b> Rexall PharmaPlus	Oct 2005 – Present
<b>Senior Manager, Risk Advisory</b>	Dec 2019 – Sep 2020
<b>Director, Quality and Regulatory</b>	Dec 2018 – Dec 2019
<b>Manager, Cannabis Strategic Licensing</b>	Dec 2017 – Dec 2018
<b>Senior Consultant, Quality &amp; Regulatory</b> CCI Deloitte (formerly Cannabis Compliance Inc.)	Jul 2017 – Dec 2017
<b>Supervisor, QA-Controlled Substances</b>	Apr 2015 – Jul 2017
<b>Associate QPIC, QA-Controlled Substances</b> Apotex Inc.	Jan 2012 – April 2015
<b>Clinical Pharmacy &amp; Quality Control Coordinator, QPIC/RPIC</b> Lambda Therapeutic Research Inc.	Mar 2011 – Jan 2012
<b>Clinical Pharmacy Technician</b> Kendle Early Stage – Toronto	May 2008 – Mar 2011
<b>Technician</b> Agropur Natrel	Apr 2007 – May 2008



# SAMUEL BOUABANE



## EDUCATION

---

*Honours Bachelor of Science*

University of Toronto

Toronto, Ontario

2002 – 2007

- Majors in Chemistry and Botany, Minor in Spanish

## PROFESSIONAL MEMBERSHIPS

---

Committee Member – ASTM D37

Committee Member – Canadian Hemp Trade Alliance

Committee Member – C45 Quality Association

This is **Exhibit "F"** referred to  
in the Affidavit of  
Domenico Serafino  
Sworn this 26<sup>th</sup>  
day of April, 2021.

DocuSigned by:

*Sepideh Nassabi*

9A5A673DA59E432  
A Commissioner for Taking Affidavits



Address Locator: 0300A  
Ottawa ON, K1A 0K9

LIC-WQZAS68WY2-2020

April 13, 2021

HydRx Farms Ltd.  
Mr. Phillip Hemans, Mr. Richard Goldstein, and Mr. Dominico Serafino  
1130 Champlain Court  
Whitby, ON L1N 6K9

**Subject: Information Required – HydRx Farms Ltd.**

Messrs. Hemans, Goldstein, Serafino,

I am writing to you, respectively, as the Responsible Person, Alternate Responsible Person, and Directors on record for HydRx Farms Ltd (LIC-WQZAS68WY2-2020) located at 1130 Champlain Court, Whitby, Ontario.

During a call held between Phillip Hemans and Health Canada on April 1, 2021, Mr. Hemans indicated that he continues to occupy the role of responsible person for the licence, but as of March 28, 2021, both he and Richard Goldstein (Director and A/RP) had lost access to the site.

Section 37 of the *Cannabis Regulations* requires that a responsible person (RP) be designated for all licence holders. The RP must have the authority to bind the licence holder, and Health Canada holds this individual responsible for all the activities conducted at the licensed site. The RP is the official point of contact with Health Canada in regards to the licence.

Given that Mr. Hemans no longer has access to the site, **Health Canada requests confirmation of who HydRx Farms Ltd. considers to be the Responsible Person for the licence**, meaning they currently have the authority to bind the licence holder and they are currently responsible for the activities conducted under the licence. Ambiguity around who is ultimately responsible to bind HydRx Farms Ltd. to the *Cannabis Act* and its *Regulations* may pose a risk to public safety and could lead to compliance and enforcement action being taken with respect to the licence.

Please note that if Mr. Hemans is no longer the RP, Health Canada must be advised of this within five days of this change as per section 34(1)(c) of the *Cannabis Regulations*.

In addition, we **request confirmation of who is currently occupying the following key positions** (and alternates), whether they have access to the site, and whether they hold a valid security clearance:

- Quality Assurance Person
- Master Grower
- Head of Security

Please also **confirm what activities with cannabis are currently taking place at the site** and whether or not cannabis continues to be sold.

We are aware that HydRx Farms Ltd. has sought protection under the *Companies' Creditors Arrangement Act* and the Court has appointed Allan Page as the monitor. You are reminded that as per section 50 of the *Cannabis Regulations*, any individual who exercises, or is in a position to exercise, direct control over the company, as well as individuals who hold key positions, are required to hold security clearances. Failure to hold a valid security clearance is grounds for suspension or revocation of the licences.

Should Allan Page have any questions related to the requirements of the *Cannabis Act* and *Regulations* you may advise them to contact Health Canada.

Please immediately acknowledge receipt of this letter, and send the requested information to [HC.licensing-cannabis-licences.SC@canada.ca](mailto:HC.licensing-cannabis-licences.SC@canada.ca) by **9am EDT on April 16, 2021**.

If you have any questions, please do not hesitate to contact us by email.



Mike McGuire  
Director, Licensing and Security  
Controlled Substances and Cannabis Branch  
Health Canada

This is **Exhibit "G"** referred to  
in the Affidavit of  
Domenico Serafino  
Sworn this 26<sup>th</sup>  
day of April, 2021.

DocuSigned by:

*Sepideh Nassabi*

9A5A673DA59E432

.....  
A Commissioner for Taking Affidavits

**From:** Cannabis Licensing / Licences cannabis (HC/SC) [HC.licensing-cannabis-licences.SC@canada.ca](mailto:HC.licensing-cannabis-licences.SC@canada.ca)

**Sent:** March 16, 2021 11:29 AM

**Subject:** Reminder: Key Investor Report / Rappel: Rapport sur les investisseurs clés

*(Le français suit.)*

Hello,

This is a follow-up to the correspondence Health Canada sent on January 29, 2021 regarding the annual key investor reporting requirements, and a reminder of the upcoming March 31, 2021 deadline to submit your 2020 key investor report if you have not done so already.

As per subsection 241(7) of the *Cannabis Regulations*, the holder of a licence for cultivation, processing or sale issued under the *Cannabis Act* must submit a key investor report annually to Health Canada. Given the ongoing situation with COVID-19, Health Canada has exceptionally given licence holders until **March 31, 2021** to submit their key investor reports for the 2020 calendar year in the Cannabis Tracking and Licensing System (CTLS).

For information on what is required to be submitted as part of your key investor report, or how to provide a nil report, please consult Appendix G of the [Cannabis Licencing Application Guide](#).

To support you in the preparation of your report and reduce the need for Requests for More Information(RMI), we would like to take this opportunity to outline some of the common errors that have been encountered with the submitted key investor reports to date and how to address them:

- 1) Licence holders are providing information regarding key investors before the licence was issued. Health Canada only requires information regarding those who became key investors after the licence was issued.
- 2) Licence holders are not providing details of the money, goods or services provided since they received the licence. For example, if the person provided money, goods or services, they need to include the details of the transaction, the date, the interest rate and terms under which the money goods or services were provided.
- 3) Licence holders are not explaining the benefit that the key investors receive for being a key investor, even though no repayments have been made thus far. For example: dividend payments or majority voting rights or interest on a loan provided.

- 4) Licence holders are not including details of the repayments that have been made to the key investors. For example, the transaction details must include the date, the amount, and the fair market value.
- 5) Licence holders are not providing a response on whether the controlling interest has been, will be, or could be assigned pledged, mortgaged, hypothecated or sold, in whole or in part, to any person. If this is not applicable then that must be indicated within the key investor report. For example, include 'n/a' in the corresponding sections of your report.

**Failure to provide your key investor report by March 31, 2021 may result in compliance and enforcement action(s), and could impact the processing of licence amendment applications, renewal applications, or other licence change requests that you may have in queue.**

Please note that Health Canada is working on improvements to support licence holders in submitting key investor reports, and more information will be available before the next reporting cycle.

In the event that you have already submitted your key investor report, you may disregard this e-mail.

Should you have any questions please send an email to [HC.licensing-cannabis-licences.SC@canada.ca](mailto:HC.licensing-cannabis-licences.SC@canada.ca).

Licensing and Security Division  
Controlled Substances and Cannabis Branch  
Health Canada / Government of Canada  
[HC.licensing-cannabis-licences.SC@canada.ca](mailto:HC.licensing-cannabis-licences.SC@canada.ca)

Bonjour,

Le présent courriel fait suite à la correspondance que Santé Canada a envoyée le 29 janvier 2021 concernant les exigences en matière de rapports par les investisseurs-clés et un rappel de la date limite fixée au 31 mars 2021 pour soumettre votre rapport sur les investisseurs-clés de 2020, si vous ne l'avez pas déjà fait.

Conformément au paragraphe 241(7) du *Règlement sur le cannabis*, le titulaire d'une licence de culture, de transformation ou de vente délivrée en vertu de la *Loi sur le cannabis* est tenu de présenter, chaque année, un rapport sur les investisseurs-clés à Santé Canada. Compte tenu de la situation actuelle liée à la COVID-19, Santé Canada a exceptionnellement reporté la date limite de soumission des rapports sur les investisseurs-clés pour l'année civile 2020 dans le Système de suivi du cannabis et de demande de licence (SSCDL) au **31 mars 2021**.

Pour plus de renseignements sur ce qui doit être soumis dans le cadre de votre rapport sur les investisseurs-clés, ou sur la manière de fournir un rapport négatif, veuillez consulter l'annexe G du [Guide des demandes de licences liées au cannabis](#).

Pour vous aider dans la préparation de votre rapport et réduire le besoin de demandes de renseignements supplémentaires (DRS), nous aimerions profiter de cette occasion pour décrire certaines des erreurs courantes qui ont été rencontrées dans les rapports sur les investisseurs-clés soumis à ce jour et comment y remédier :

- 6) Les titulaires de licence fournissent des renseignements sur les investisseurs-clés avant la délivrance de la licence. Santé Canada n'a besoin de renseignements que sur les personnes qui sont devenues des investisseurs-clés après la délivrance de la licence.
- 7) Les titulaires de licence ne fournissent pas de détails sur les montants, les biens ou les services fournis depuis qu'ils ont obtenu la licence. Par exemple, si la personne a fourni des fonds, des biens ou des services, elle doit inclure les détails de la transaction, la date, le taux d'intérêt et les conditions dans lesquelles les fonds, les biens ou les services ont été fournis.
- 8) Les titulaires de licence n'expliquent pas les avantages que les investisseurs-clés reçoivent en tant qu'investisseur-clé, même si aucun remboursement n'a été effectué jusqu'à présent. Par exemple : versements de dividendes ou droits de vote majoritaire ou intérêts sur un prêt accordé.
- 9) Les titulaires de licence n'incluent pas les détails des remboursements qui ont été effectués aux investisseurs-clés. Par exemple, les détails de la transaction doivent inclure la date, le montant et la juste valeur marchande.
- 10) Les titulaires de licences ne fournissent pas de renseignements permettant d'établir si la participation majoritaire a été, sera ou pourrait être cédée, donnée en gage, hypothéquée ou vendue, en tout ou en partie,

à une autre personne. Si cela n'est pas applicable, il faut l'indiquer dans le rapport sur les investisseurs-clés. Par exemple, inscrivez « s.o. » dans les sections correspondantes de votre rapport.

**Si vous ne remettez pas votre rapport sur les investisseurs-clés d'ici le 31 mars 2021 vous risquez de faire l'objet de mesures de conformité et d'application de la loi, ce qui pourrait avoir une incidence sur le traitement des demandes de modification de licence, des demandes de renouvellement ou d'autres demandes de modification de licence que vous pourriez avoir en file d'attente.**

Veillez noter que Santé Canada œuvre à améliorer l'aide apportée aux titulaires de licence pour la soumission de rapports sur les investisseurs-clés; de plus amples détails seront fournis avant le prochain cycle de rapport.

Si vous avez déjà soumis votre rapport sur les investisseurs clés, veuillez ne pas tenir compte de ce courriel.

Si vous avez des questions, veuillez envoyer un courriel à [HC.licensing-cannabis-licences.SC@canada.ca](mailto:HC.licensing-cannabis-licences.SC@canada.ca).

Division des licences et de la sécurité  
Direction générale des substances contrôlées et du cannabis  
Santé Canada / Gouvernement du Canada  
[HC.licensing-cannabis-licences.SC@canada.ca](mailto:HC.licensing-cannabis-licences.SC@canada.ca)



This is **Exhibit "H"** referred to  
in the Affidavit of  
Domenico Serafino  
Sworn this 26<sup>th</sup>  
day of April, 2021.

DocuSigned by:

*Sepideh Nassabi*

9A5A673DA59E432

A Commissioner for Taking Affidavits

**From:** Dom Serafino <[dserafino@hydrx.ca](mailto:dserafino@hydrx.ca)>  
**Sent:** 2021-04-14 4:06 PM  
**To:** Cannabis Licensing / Licences cannabis (HC/SC) <[HC.licensing-cannabis-licences.SC@canada.ca](mailto:HC.licensing-cannabis-licences.SC@canada.ca)>  
**Cc:** Tom Jefferd <[tjefferd@hydrx.ca](mailto:tjefferd@hydrx.ca)>; Jurgens, Daphne (HC/SC) <[daphne.jurgens@canada.ca](mailto:daphne.jurgens@canada.ca)>; McGuire2, Mike (HC/SC) <[mike.mcguire2@canada.ca](mailto:mike.mcguire2@canada.ca)>; [joanne.garrah@cannabis.ca](mailto:joanne.garrah@cannabis.ca)  
**Subject:** URGENT - RESPONSIBLE PERSON AND ADMINISTRATIVE AUTHORITY CHANGES FOR HYDRX FARMS LTD. (LIC-WQZAS68WY2-2020)

RE: HYDRX FARMS LTD. (“HydRx”) (LIC-WQZAS68WY2-2020)

Good afternoon,

This message is being sent to Health Canada in confidence and with urgency in response to the letter received from your office dated April 13, 2021.

My name is Domenic Serafino. I am a director of HydRx Farms Ltd. (LIC-WQZAS68WY2-2020).

Effective immediately, Mr. Thomas Jefferd (CTLS ID GMQPW4C0R5, granted Security Clearance SEC-PURUI4GR26-2019) has replaced Mr. Philip Hemans as the Responsible Person for HydRx Farms Ltd.

Please update your records to reflect that Philip Hemans is no longer the Responsible Person of HydRx and is not authorized to communicate with Health Canada regarding the License, or to make any changes thereto. Mr. Hemans should no longer have any access to the License via his CTLS profile, or otherwise. Mr. Hemans is no longer an officer or employee of the company.

Mr. Jefferd has been an officer of HydRx Farms Ltd. since its incorporation in April 2014, and is authorized to bind the company and fulfill his duties under the Cannabis Act and its Regulations. As an officer of HydRx Farms Ltd., Mr. Jefferd is currently responsible for the activities conducted under the Licence.

Mr. Thomas Jefferd also holds the positions of Head of Security and Master Grower. Ms. Carol-Anne Scott continues to hold the position of QAP. Both individuals have full access to the facility, and both individuals hold valid security clearances.

Due to the sensitivity of this matter, effective immediately, all correspondence regarding the License should be sent to HydRx’s new Responsible Person, Mr. Jefferd (copied), [tjefferd@hydrx.ca](mailto:tjefferd@hydrx.ca)

Please immediately link the HydRx licence and corporate profile to the CTLS account of the new Responsible Person, Mr. Thomas Jefferd. Once this is done, Mr. Jefferd will make any necessary updates to the HydRx licence, corporate profile and provide an updated OSP within 5 days.

At this time, HydRx continues to sell products directly to patients via its medical platform. HydRx also continues to perform cultivation, processing and medical sales as permitted under the Licence.

To clarify, Mr. Allan Page is an officer of the court and as such he has been appointed as monitor for Hydrx Farms Ltd. as per court order dated March 2021. While Mr. Page does not currently hold security clearance, his appointment is solely to monitor the activities of Hydrx Farms Ltd.. Mr. Page is not in a position nor is he authorized to exert control over the company. Mr. Page is solely in a position to oversee operations and report to the Court.

To further clarify the matter, Hydrx Farms Ltd. was subject to a court order rendered on March 22, 2021. Following the court order, for security reasons, Hydrx Farms Ltd. prepared a change order to modify the building access policies, but at no time was Mr. Hemans' access to the site revoked.

Effective immediately Mr. Hemans' access to the site has been revoked as he no longer serves as an officer or employee of Hydrx Farms Ltd.

Thank you,

Domenic Serafino

HydRx Farms Ltd

Director

This is **Exhibit "I"** referred to  
in the Affidavit of  
Domenico Serafino  
Sworn this 26<sup>th</sup>  
day of April, 2021.

DocuSigned by:

*Sepideh Nassabi*

.....  
A Commissioner for Taking Affidavits

**HYDRX FARMS LTD.  
NOTICE OF SPECIAL MEETING OF THE  
SHAREHOLDERS**

**TO: The Shareholders of Hydrx Farms Ltd.**

NOTICE IS HEREBY GIVEN of a Special Meeting of the Shareholders of Hydrx Farms Ltd. (the "Corporation") to be held by virtually and by teleconference (details below) on Wednesday April 28, 2021 at 10:00 AM (Toronto time).

The purpose of the meeting is to discuss the following:

- To consider a resolution to remove a director and elect a new director (the detailed resolution to be considered is attached as Schedule "A"); and
- To receive a report from the independent Director of the Corporation and from counsel to the Corporation as to the status of the Corporation's proceedings under the Companies Creditors Arrangement Act.

**SHAREHOLDERS** who are unable to attend the meeting are requested to date and sign the enclosed form of proxy and to return it by mail, facsimile or email to Minden Gross LLP c/o Sepideh Nassabi, 145 King St. W., Suite 2200, Toronto, ON, M5H4G2, [snassabi@mindengross.com](mailto:snassabi@mindengross.com). If the shareholder is a corporation, the proxy should be executed by an officer or authorized attorney. A person appointed by proxy need not be a shareholder of the Corporation.

**WebEx Meeting:**

**Join from the meeting link**

<https://mindengross.webex.com/mindengross/j.php?MTID=m982e21bde20ebf3cfb2b3b5988d4e9f1>

**Join by meeting number**

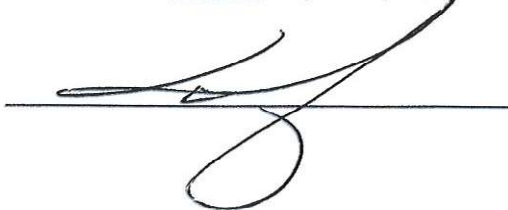
Meeting number (access code): 157 367 9275

Meeting password: fFMmV6X2zy7

**Join by phone**

1-647-484-1598 Canada Toll (Toronto)

DATED the 5<sup>TH</sup> day of April, 2021.



Domenic Serafino: Director

**Schedule "A"****HYDRX FARMS LTD.**

It being determined that the quorum requirements for the meeting of shareholders of Hydrx Farms Ltd. (the "**Corporation**") have been met, upon motion duly made, seconded and carried by the majority vote of those shareholders present at the meeting and entitled to vote thereon, the following resolutions were adopted:

**REMOVAL OF DIRECTOR****RESOLVED THAT:**

Effective as of April 28, 2021 Richard Goldstein is hereby removed as a director of the Corporation.

**ELECTION OF DIRECTOR**

**WHEREAS** by resolution of the shareholders Richard Goldstein has been removed as a director of the Corporation.

**AND WHEREAS** it is in the best interests of the Corporation that a director be elected to fill the vacancy created thereby;

**NOW THEREFORE BE IT RESOLVED THAT:**

1. effective as of the date hereof, Thomas Jefferd is hereby elected a director of the Corporation to hold office until the close of the next annual meeting of shareholders or until his successor is elected or appointed, whichever occurs first; and
2. any director or officer of the Corporation is hereby authorized, empowered and directed for and on behalf of the Corporation to send a Form 6, Changes Regarding Directors to Corporations Canada pursuant to the *Canada Business Corporations Act* and to sign and deliver all documents and to do all things necessary or advisable in connection with the foregoing.

**DATED** this 28<sup>th</sup> day of April, 2021.

---

NAME: Domenic Serafino

**PROXY**

**TO: HYDRX FARMS LTD.**

The undersigned, shareholder of **HYDRX FARMS LTD.** (the "Corporation"), hereby appoints \_\_\_\_\_ and failing any appointment, Domenic Serafino, as the nominee of the undersigned to attend and act at the special meeting of shareholders of the Corporation to be held on Tuesday April 28, 2021 at 10:00 a.m. and at any adjournment or adjournments thereof and to vote and otherwise act on behalf of and represent the undersigned in the same manner, to the same extent and with the same power as if the undersigned were present at the said meeting or such adjournment or adjournments thereof, and without limiting the generality of the foregoing, the undersigned hereby specifying that the votes represented by this proxy shall be **VOTED** in his/her discretion on or on any amendments or variations to the matters set forth in the notice of said annual and special meeting of members and on any other matters which may properly come before the meeting or any adjournment or adjournments thereof, and without limiting the generality of the power hereby conferred, the nominee designated above is specifically directed:

To vote or withhold from voting in the name of the undersigned as specified below:

- 1. To Vote **FOR** , Vote **AGAINST** , or **WITHHOLD FROM VOTING**  the removal of a director and election of a new director (the detailed resolution to be considered is attached as Schedule "A" to the Notice of Meeting of Shareholders).

This proxy is not solicited by or on behalf of the management of the Corporation or any other person and is provided to shareholders as a matter of convenience only.

**DATED** the \_\_\_\_ day of April, 2021.

\_\_\_\_\_

\_\_\_\_\_  
(Name of Shareholder – Please Print)

This is **Exhibit "J"** referred to  
in the Affidavit of  
Domenico Serafino  
Sworn this 26<sup>th</sup>  
day of April, 2021.

DocuSigned by:

*Sepideh Nassabi*

9A5A673DA59E432

.....  
A Commissioner for Taking Affidavits





**Reply to the Attention of** Shimmy Posen  
**Direct Line** 416.869.7612  
**Email Address** [sposen@garfinkle.com](mailto:sposen@garfinkle.com)  
**Our File No.** 12546-002  
**Date** April 21, 2021

**BY EMAIL (SNASSABI@MINDENGROSS.COM)**

Minden Gross LLP  
145 King St. W., Suite 2200  
Toronto, Ontario M5H 4G2

*Attention: Sepideh Nassabi*

Dear Ms. Nassabi:

**Re: Hydrx Farms Ltd. (the “Company”) – Notice of Special Meeting of Shareholders**

---

We are counsel for the Company, retained by the board of directors in October 2020. One of the directors of the Company provided us with a Notice of Special Meeting of the Shareholders of the Company (the “**Notice**”) sent from the [ir@hydrx.ca](mailto:ir@hydrx.ca) email account on April 5, 2021, purporting to call a Special Meeting of the Shareholders of the Company (the “**Purported Meeting**”), signed by Mr. Domenic Serafino, in his capacity as a director. Pursuant to the Notice, the Purported Meeting is to be held on Wednesday April 28, 2021 at 10:00 AM (Toronto time) and the agenda for the Purported Meeting includes a report from counsel to the Company as to the status of the Company’s proceedings under *Companies Creditors Arrangement Act* (“**CCAA**”).

Assuming the forgoing is an accurate account of the documents, can you please clarify the following items so that I can properly advise the Company:

1. Under whose authority was the Purported Meeting called? My review of the by-laws for the Company and the *Canada Business Corporations Act* (“**CBCA**”), indicates that only the board of directors has the authority to call a meeting of shareholders, not an individual director.
2. Pursuant to s. 135(1) of the CBCA, notice is to be delivered to each shareholder and each director. How was this statutory requirement satisfied as we understand that the Company has incomplete records relating to its current registered shareholders, being that the Company’s transfer agent has been unwilling to cooperate with the Company due to being owed fees? We have received reports from concerned shareholders that they have not received the Notice, possibly being that the Company relied on only sending notice by email or having an incomplete shareholder register.
3. Pursuant to s. 149(1) and 150(1) of the CBCA, the Company is required to deliver a management circular in the prescribed form, to all shareholders of record whose proxy is solicited, and to each director. Being that a circular was not delivered together with the solicitation of proxies, any proxies collected by Mr. Serafino will be prima facie invalid. Please advise when and how your client, as an individual person, or individual director, proposes to provide an information circular within the prescribed period prior to the meeting. As the circular is to be included with the notice of meeting, there is insufficient time to send the circular to shareholders and therefore any proxies from shareholders who did not receive the circular would also be invalid on that basis.
4. We wish to remind you that a quorum for a meeting of shareholders of the Company requires the presences, in person or by proxy, of shareholders holding greater than 50% of the total issued and outstanding shares. If quorum is not present at a meeting of shareholders, the meeting is not properly constituted and cannot carry on business or pass any resolutions.
5. The Notice appears to indicate that your firm is acting as counsel to the Company. My understanding is

2

your firm is acting on behalf of Mr. Domenic Serafino in his capacity as interested party in the CCAA proceedings only and that you in fact confirmed this to Cassels Brock & Blackwell LLP. You therefore do not act for the Company, and therefore you are conflicted from acting on behalf of the Company. My understanding is the board never authorized your firm to act on behalf of the Company, nor has the board waived the conflict. Please clarify who your firm's represents.

Notwithstanding the forgoing, my understanding from Mr. Goldstein is that he is more than willing to appoint an independent third director to the board, if Mr. Serafino is interested. Please provide a response to this letter before 5:00 PM (Toronto time) on April 23, 2021, or alternatively please send me the notice sent by Mr. Serafino to the same shareholders who received the original Notice informing them that the Purported Meeting has been delayed and will be rescheduled.

If the Company is unable to address the concerns in this letter or does not cancel with the Purported Meeting we will be forced to seek a declaration that Mr. Serafino acted improperly and the Purported Meeting and any actions taken at said meeting, are null and void. Thank you in advance for your time, assistance and anticipated cooperation.

Yours truly,

**GARFINKLE BIDERMAN LLP**

Per:



Shimmy Posen

cc: Hydrx Farms Ltd., and its board of directors

This is **Exhibit "K"** referred to  
in the Affidavit of  
Domenico Serafino  
Sworn this 26<sup>th</sup>  
day of April, 2021.

DocuSigned by:

*Sepideh Nassabi*

.....  
A Commissioner for Taking Affidavits

On Feb 21, 2021, at 12:36 PM, Richard Goldstein <[richard@firstrepubliccapital.com](mailto: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 3<sup>rd</sup> 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 "L"** referred to  
in the Affidavit of  
Domenico Serafino  
Sworn this 26<sup>th</sup>  
day of April, 2021.

DocuSigned by:

*Sepideh Nassabi*

.....  
A Commissioner for Taking Affidavits



**MINDEN GROSS LLP**  
**BARRISTERS & SOLICITORS**  
145 KING STREET WEST, SUITE 2200  
TORONTO, ON, CANADA M5H 4G2  
TEL 416.362.3711 FAX 416.864.9223  
www.mindengross.com

DIRECT DIAL 416-369-4335  
E-MAIL tdunn@mindengross.com  
FILE NUMBER 4122750

April 22, 2021

**VIA EMAIL (sposen@garfinkle.com)**

**GARFINKLE BIDERMAN LLP**

Barristers & Solicitors  
1 Adelaide Street East  
Suite 801  
Toronto, Ontario  
M5C 2V9

**Attention: Shimmy Posen**

Dear Sirs:

**Re: Hydrx Farms Ltd. (the “Company”) - Special Meeting of Shareholders**

Reference is made to your letter of April 21, 2021, that was sent by email to my colleague, Sepideh Nassabi.

As you are aware, the Company is currently attempting to restructure its financial affairs pursuant to the provisions of the *Companies Creditors’ Arrangement Act* (“CCAA”).

In large part, the CCAA proceeding was needed to protect the Company from the paralysis caused by having a deadlocked board of directors - where one of these directors, Mr. Goldstein, found himself in an acknowledged position of conflict.

It had been hoped that Mr. Goldstein would simply resign as a director of the Company, as he indicated to Mr. Serafino that he would do. Unfortunately, Mr. Goldstein has elected to remain in a position of conflict.

With respect to the Special Meeting of Shareholders, please advise who provided you with instructions to object to the subject meeting? We understand that your firm has historically acted for Mr. Goldstein. Did you receive your instructions from Mr. Goldstein?

The refusal of Mr. Goldstein to resign as a director has placed the Company in an impossible position. In order to ensure that the Company will be best positioned to effect a restructuring of its financial affairs, it





is not possible to have Mr. Goldstein remain as a director when he appears intent on obstructing normal business operations after failing to persuade the Court to prevent operations entirely.

The calling of the shareholders meeting is an attempt to regularize the corporate affairs of the Company and best position the Company for a successful restructuring. The meeting will proceed and should you wish to challenge the results or legitimacy of the same we can schedule a motion to have Mr. Goldstein removed as a director of the Company pursuant to section 11.5 of the CCAA when we are before Justice Hainey on April 30, 2021. In this regard, we have added you to the service list.

Yours truly,

**MINDEN GROSS LLP**

Per:

A handwritten signature in black ink, appearing to read 'Timothy R. Dunn', written over a horizontal line.

Timothy R. Dunn \*  
TRD/vh

#4692183 v1 | 4122750

**\*PARTNER THROUGH PROFESSIONAL CORPORATION**

This is **Exhibit "M"** referred to  
in the Affidavit of  
Domenico Serafino  
Sworn this 26<sup>th</sup>  
day of April, 2021.

DocuSigned by:

*Sepideh Nassabi*

9A5A673DA59E432  
A Commissioner for Taking Affidavits

**INDEMNITY AGREEMENT**

**DATE:** April 8, 2021

**TO:** Hydrx Farms Ltd. (the “Indemnitee”)

**AND TO:** SCHWARTZ LEVITSKY FELDMAN INC., in its capacity as the Monitor of the Applicant (the “Monitor”)

**FROM:** Domenico Serafino (the “Indemnitor”)

**RE:** In the mater of the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (“CCAA”), and in the matter of the plan of compromise or arrangement of the Indemnitee, CannScience Innovations Inc., and Scientus Pharma Inc. (collectively, the “Applicant”)

**WHEREAS** the Applicant is subject to proceedings under the CCAA pursuant to an Initial Order issued by the Ontario Superior Court of Justice (“**Court**”) on March 22, 2021, and an Amended and Restated Initial Order issued by the Court on March 31, 2021 (“**Amended and Restated Initial Order**”).

**AND WHEREAS** pursuant to the Amended and Restated Initial Order, the Court granted a broad stay of proceedings in favour of the Applicant, which stay of proceeding is effective from March 22, 2021 through to and including May 3, 2021 and which stay of proceeding may be extended by further Order of the Court (“**Stay Period**”)

**AND WHEREAS** the Indemnitor has agreed to indemnify the Indemnitee in respect of: (i) any repair costs (“**Repair Costs**”) incurred by the Indemnitee specifically relating to the use of the Equipment (as defined herein) during the period of March 31, 2021 through the remainder of the Stay Period (the “**Indemnity Period**”); and (ii) any Operating Losses (as defined herein) incurred by the Indemnitee during the Indemnity Period, subject to the Indemnitor’s right to end the Indemnity Period as provided herein.

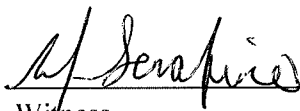
**NOW THEREFORE**, in consideration of the mutual covenants, terms, and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. The Indemnitor shall indemnify and hold harmless the Indemnitee from and against all costs of repairs arising directly as result of the Indemnitee’s use of the Equipment during the Indemnity Period where such costs of repairs are not otherwise reimbursed to the Indemnitee under warranty or subject to insurance coverage. In the event repair costs are incurred as a result of the action or inaction of a third party, and the Indemnitee has a claim against such third party for such damages, the Indemnitor shall have a right of subrogation. For the purposes of this Indemnity Agreement, “**Equipment**” shall mean all equipment owned by the Indemnitee and used in connection with the ordinary course of its business operations.

2. The Indemnitor shall indemnify and hold harmless the Indemnitee from and against all Operating Losses incurred by the Indemnitee during the Indemnity Period. For purposes of this Indemnity Agreement, “**Operating Losses**” shall mean the extent, if any, to which: (i) the operating expenses plus costs of goods sold of the Indemnitee exceed (ii) the revenue generated by the Indemnitee, all as determined by the Monitor in its sole discretion, during the Indemnity Period. In determining the operating expenses and costs of goods sold, the Monitor will take into account, without limitation, those costs and expenses set out in Schedule “A” hereto.
3. The Indemnitor shall not be obligated to indemnify the Indemnitee under Sections 1 and 2 of this Indemnity Agreement in respect of any Repair Costs or Operating Losses incurred by the Indemnitee outside of the duration of the Indemnity Period.
4. The Indemnitor may provide notice, in writing by email, to the Indemnitee and the Monitor of his intention to end the Indemnity Period. After receiving such notice, the Indemnity Period shall end upon Hydrx and the Monitor confirming, in writing, both acting reasonably, that all of the following conditions have been satisfied to its satisfaction:
  - a. Hydrx has no continuing contractual obligations in respect of production for production to any third party;
  - b. all production at Hydrx’s facility has ceased; and
  - c. Hydrx’s facility and all equipment that was used during the Indemnity Period has been cleaned to a reasonable commercial standard and in compliance with applicable regulations.
5. This Indemnity Agreement shall be binding upon and enure to the benefit of the Indemnitor and Indemnitee, and their respective successors and assigns.
6. No waiver by any party of any of the provisions hereof is effective unless explicitly set forth in writing and signed by the party so waiving.
7. This Indemnity Agreement and all matters arising out of or relating to this Indemnity Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario, and the federal laws of Canada applicable therein.


[SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF** the Parties hereto have duly executed this Indemnity Agreement with effect as and from the date first written above.

  
\_\_\_\_\_  
Witness

  
\_\_\_\_\_  
**DOMENICO SERAFINO**

**HYDRX FARMS LTD.**

Per:   
\_\_\_\_\_  
Name: *Dom Serafino*  
Title: *DIRECTOR*

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

I/We Have Authority to bind the Corporation

**SCHEDULE "A"**

**Cost of Goods Sold**

Primary Packaging  
Primary Packaging Label  
Excise Label  
SHRINK  
THC Label  
Non cannabis ingredients, if applicable  
Distillate sourced from other LPs  
Shipping  
Labour for Filling and Packing  
Secondary Packaging Label  
Secondary Container  
Pack and ship labour  
Shipping Master Container  
Pallets  
Lab Testing

**Operating Expenses**

Insurance  
Electricity  
Natural Gas  
Property Tax  
Water/Sewer  
Security Monitoring  
Software License  
Pest Control  
Licensing Fees  
Urgent Maintenance  
Preventative Maintenance  
PPE/Cleaning

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. CV-21-00659187-00CL

---

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding Commenced at **Toronto**

---

**AFFIDAVIT OF  
DOMENICO SERAFINO**

---

**MINDEN GROSS LLP**  
145 King Street West, Suite 2200  
Toronto, ON M5H 4G2

**Raymond M. Slattery** (LSO# 20479L)  
Tel: 416-369-4149  
[rslattery@mindengross.com](mailto:rslattery@mindengross.com)

**Sepideh Nasabi** (LSO# 60139B)  
Tel: 416-369-4323  
[snassabi@mindengross.com](mailto:snassabi@mindengross.com)

Lawyers for the Applicants

# TAB 3



Court File No. CV-21-00659187-00CL

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**

THE HONOURABLE MR.	)	FRIDAY, THE 30 <sup>th</sup>
	)	
JUSTICE HAINEY	)	DAY OF APRIL, 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**")

**ORDER**

**(Extension of Stay Period and Replacing the Responsible Person)**

THIS APPLICATION, made by Domenico Serafino (the "**Applicant**") as a 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 by ZOOM videoconference at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Domenico Serafino sworn April 26, 2021 and the Exhibits thereto (the "**Serafino Affidavit**"), and the second report of the monitor, Schwartz Levitsky Feldman Inc. (the "**Monitor**") dated April [INSERT], 2021 (the "**Report**"), the factum of the Applicant, and on hearing submissions for counsel for the Applicant, counsel for Cobra Ventures Inc., counsel for the Monitor and such other parties listed on the counsel slip, no one appearing for any other party although duly served as appears from the affidavit of service of Hayley Morgan sworn April [INSERT], 2021,

**SERVICE AND DEFINITIONS**

1. THIS COURT ORDERS that the time for serving and filing of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.
2. THIS COURT ORDERS that capitalized terms used herein that are not otherwise defined shall have the meaning ascribed to them in the Serafino Affidavit.

**EXTENSION OF THE STAY PERIOD**

3. THIS COURT ORDERS that the Stay Period be and is hereby extended until and including August 2, 2021.

**REPLACEMENT OF RESPONSIBLE PERSON**

4. THIS COURT ORDERS that Thomas Jefferd hereby replaces Phillip Hemans as the designated Responsible Person for Hydrx and Health Canada is hereby directed to amend its records with immediate effect to reflect Thomas Jefferd as the Responsible Person.

**GENERAL**

5. 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.
6. 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.

7. 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.

---

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. CV-21-00659187-00CL

***ONTARIO***  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**

Proceeding commenced at Toronto

**ORDER**  
**(Extension of Stay Period)**

**MINDEN GROSS LLP**

Barristers and Solicitors  
2200 - 145 King Street West  
Toronto, ON M5H 4G2

**Raymond M. Slattery** (LSO# 20479L)

Tel: 416-369-4149  
[rslattery@mindengross.com](mailto:rslattery@mindengross.com)

**Sepideh Nassabi** (LSO# 60139B)

Tel: 416-369-4323  
[snassabi@mindengross.com](mailto:snassabi@mindengross.com)

Lawyers for the Applicant

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. CV-21-00659187-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at TORONTO

**MOTION RECORD OF THE APPLICANT**  
(returnable April 30, 2021)

**MINDEN GROSS LLP**  
145 King Street West, Suite 2200  
Toronto ON M5H 4G2

**Raymond M. Slattery** (LSO #20479L)  
Tel: 416-369-4149  
[rslattery@mindengross.com](mailto:rslattery@mindengross.com)

**Sepideh Nassabi** (LSO #60139B)  
Tel: 416-369-4323  
[snassabi@mindengross.com](mailto:snassabi@mindengross.com)

Lawyers for the Applicant