

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.

(the "Applicant")

RESPONDING MOTION RECORD
OF THE APPLICANT
(Returnable June 30, 2021)

May 21, 2021

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TAB 1

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PHARMA INC.

(the "Applicant")

**AFFIDAVIT OF DOMENICO SERAFINO
(SWORN MAY 20, 2021)**

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 Farms Ltd. ("**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.

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2. I swear this Affidavit further to the April 30, 2021 Order of the Honourable Mr. Justice Hainey approving a claim process (the “**Cobra Claims Process**”) at the request of the Monitor that is designed to result in a determination of whether Hydrx is indebted to Cobra Ventures Inc. (“**Cobra**”).

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

- (a) My affidavit sworn March 19, 2021, in respect of the commencement of the CCAA Proceedings, a copy of which is appended hereto, without exhibits, as **Exhibit “A”**;
- (b) My affidavit sworn March 29, 2021, in support of the relief sought in respect of the Amended and Restated Initial Order, a copy of which is appended hereto, without exhibits, as **Exhibit “B”**;
- (c) My affidavit sworn April 26, 2021, in support of the extension of the stay period, a copy of which is appended hereto, without exhibits, as **Exhibit “C”**.

Overview

A. Goldstein Should Not Profit From Breach of Fiduciary Duty

4. As will be set out in further detail in my Affidavit, I am not seeking to challenge the fact that Cobra/Richard Goldstein (“**Goldstein**”) purchased the Aphria Secured Debenture (defined below) at a deep discount. What I am challenging is Goldstein’s ability to profit, directly or indirectly, from that purchase given that he was a director of Hydrx at all material times and he did not comply

with the provisions of the *Canada Business Corporations Act* (Canada) (“**CBCA**”) which sets out the conditions precedent that directors must fulfil in order to entitle a director to profit from a direct or indirect contractual relationship with a company in respect of which he is a director.

5. A few weeks before Goldstein became a director of Hydrx, Cobra finalized its acquisition of the Aphria Secured Debenture (the “**Aphria Transaction**”). After the purchase, and both before and after he became a director of Hydrx, Goldstein, as the substantial owner and directing mind of Cobra, caused Cobra to enter transactions with third parties that benefited both Cobra and Goldstein but were not in the best interests of Hydrx. These transactions leveraged the Aphria Secured Debenture and resulted in Cobra securing loans for itself, for its benefit, by using Hydrx’s real property (“**Hydrx Real Property**”), including its production facility in Whitby (the “**Production Facility**”), and its personal property assets (collectively, the “**Hydrx Assets**”) as collateral security without proper disclosure to or approval by the Hydrx board of directors.

6. I am advised by my counsel, and do believe, that at common law and under the provisions of the CBCA:

- (a) a director of a corporation is required to disclose to the corporation, in writing, any interest in any material contract with the corporation;

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- (b) this obligation of disclosure specifically applies to persons who are directly or indirectly interested in a material contract and includes persons who subsequently become directors of a corporation while continuing to be interested in that contract;
- (c) a director is absolutely prohibited from profiting in any way from such a material contract unless the opportunity to profit:
 - (i) has been fully disclosed, in writing to the corporation
 - (ii) the ability to profit has been approved by either:
 - (1) the independent board members at a meeting called for that purpose; or
 - (2) the shareholders of the corporation, by way of a special resolution of the shareholders;
- (d) the court is not restricted to simply prohibiting directors from profiting from such contractual arrangements. The court has the authority and discretion, in appropriate circumstances, to set aside the contract, in whole or in part, on such basis as it sees fit.

7. At no time, either before or after his appointment as a director of Hydrx did Goldstein ever:

- (a) disclose in writing to the board of directors of Hydrx or the shareholders of Hydrx his indirect interest in the Aphria

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Secured Debenture (defined below) through his ownership interest in Cobra. The Aphria Secured Debenture is a material contract of Hydrx;

- (b) request approval of the independent board members of Hydrx for the right to profit from his indirect interest in the Aphria Secured Debenture;
- (c) request approval from the shareholders of Hydrx, (by special resolution or otherwise) for the right to profit from his indirect interest in the Aphria Secured Debenture.

8. Leaving aside the other multiple breaches by Goldstein of his fiduciary obligations to Hydrx that will be set out in this Affidavit, it is my respectful position that, on this basis alone, Goldstein is prohibited at law from profiting in any way from his indirect ownership of the Aphria Secured Debenture.

9. As will be set out in this Affidavit, Goldstein has breached both his duty to act honestly and in the best interests of Hydrx and his duty of care and loyalty to Hydrx. The damages caused to Hydrx and its stakeholders are undeniable even if challenging to precisely measure monetarily.

10. Accordingly, it is my respectful position that, at a maximum, Cobra should only have the right to recover the actual dollars it expended to acquire the Aphria Secured Debenture and any additional advances proven to have been made

by Cobra to Hydrx. More properly, I believe it to be equitable and thoroughly justified for the court to set aside the Aphria Secured Debenture in its entirety or reduce Goldstein's indirect right to recover thereunder to an amount materially less than the \$5 million acquisition cost to Cobra.

B. Usurping of Corporate Opportunity

11. I am advised by my counsel, and do believe, that directors, under a duty of loyalty, have the legal responsibility not to take any corporate opportunity for their personal benefit without first disclosing that opportunity to the independent board of directors of the corporation and giving the board the right to appropriate the opportunity for the benefit of the corporation.

12. In January of 2021, Goldstein caused Cobra to enter into the Cobra Buyback Transaction (as defined herein), in respect of which he acquired a significant indirect interest in the Aphria Secured Debenture that he did not then own. Specifically, he arranged to acquire a 50% indirect interest then owned by WCE (defined below). In so doing, Goldstein was not re-organizing his pre-existing indirect ownership in the Aphria Secured Debenture. Instead, he was acquiring a 50% indirect ownership interest in the Aphria Secured Debenture that he did not previously own. To finance this acquisition, he caused Cobra to enter into the Windsor Loan Transaction (defined below). To encourage Windsor

(defined below) to make this \$4 million loan he agreed to grant Windsor a 10% ownership interest in Cobra which provided Windsor with a 10% indirect ownership interest in the Aphria Secured Debenture.

13. In basic commercial terms, the Cobra Buyback Transaction and the Windsor Loan Transaction may be accurately summarized as follows: the \$4 million total investment arranged by Goldstein and Windsor allowed Goldstein and Windsor to acquire between them a 100% indirect interest in the approximately \$15 million Aphria Secured Debenture.

14. At no time did Goldstein or Windsor advise Hydrx or its independent board that an opportunity existed to acquire the WCE 50% indirect interest in the \$15 million Aphria Secured Debenture for \$2.5 million or potentially the total indirect interest for \$5 million. This was an extraordinarily material corporate opportunity for Hydrx.

15. At no time did Goldstein, then a director of Hydrx, present this opportunity to Hydrx, its independent board or its shareholders for involvement by Hydrx prior to completing the same. In fact, the opposite is true. Goldstein actively concealed the opportunity.

16. I am advised by my counsel, and do believe, that directors are obliged to disgorge all profits from corporate opportunities unlawfully appropriated by them

even if the corporation lacked the immediate financial resources to take advantage of the opportunity. In this case, however, I had the personal resources to advance \$4 million to Hydrx to allow it to match the Windsor financing and would have done so if the opportunity had been presented to Hydrx as required by law.

17. It is noteworthy that if Goldstein had presented the opportunity to Hydrx, as required by law, the entire CCAA proceeding involving Hydrx would not have been necessary. Hydrx would have controlled the Aphria Secured Debenture and Goldstein's remaining 20% indirect interest in the Aphria Secured Debenture would have been capped by law at \$1 million (since directors cannot profit from such interests). In addition, interested shareholders of Hydrx would not have been required to advance capital at considerable personal risk, on a totally unsecured basis (without the protection of a DIP order) in order to preserve the Hydrx business for the benefit of all the Hydrx stakeholders.

18. As summarized above, it is my understanding that the Court is entitled to set aside material contracts such as the Aphria Secured Debenture, in whole or in part, for non-compliance by fiduciaries with their obligation to deal appropriately with corporations when they are in situations of material conflict, as was Goldstein.

19. I am firmly of the view that Goldstein's flagrant breach of his obligations to submit the above-noted corporate opportunity to Hydrx, his unrelenting pursuit

of that opportunity for personal profit at the expense of Hydrx and the extraordinary cost and risk imposed on the shareholders of Hydrx as a result of the necessary CCAA proceedings all thoroughly justify an order of the Court either setting aside Cobra's entitlement under the Aphria Secured Debenture in its entirety or reducing Goldstein's indirect right to recover thereunder to an amount materially less than its \$5 million acquisition cost to Cobra.

Background

The Aphria Secured Debenture

20. On August 14, 2017, Hydrx reached an agreement with Aphria Ltd. ("**Aphria**") for a subscription agreement which included a senior, secured convertible debenture with a face principal amount of \$11.5 million (the "**Aphria Secured Debenture**"). With accumulated interest, the current debt owing under the Aphria Secured Debenture is approximately \$15 million.

21. 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.

22. The Aphria Secured Debenture was registered on title to the Hydrx Real Property pursuant to a charge/mortgage registered on August 15, 2017. Attached hereto and marked as **Exhibit “D”** is a copy of the charge/mortgage.

23. Aphria decided that it would not exercise its right to convert the debt to equity in the capital stock of Hydrx and informed Hydrx that the debt would need to be paid.

24. On January 20, 2020, Aphria demanded repayment.

25. Ultimately, Hydrx was provided until January 31, 2020 to arrange for refinancing. Hydrx was unable to repay Aphria by the deadline but Aphria took no immediate action to enforce its rights as a secured creditor.

26. At this time, Goldstein had a 0.65% ownership interest in the capital stock of Hydrx and was aware of the situation with the Aphria Secured Debenture.

The July Plan

27. On or about May 21, 2020, Goldstein was introduced to the Hydrx board of directors by Philip Hemans (“**Hemans**”), his neighbour and the former COO of

Hydrx. Goldstein proposed a transaction that would resolve the financial problems faced by Hydrx in relation to the default under its obligations to Aphria.

28. Goldstein indicated his intention was to arrange for the acquisition of the Aphria Secured Debenture with costs being rolled into Hydrx without a “lift” in exchange for certain fees and warrants on the condition that Hydrx terminate all of its other efforts to raise capital through its own sources. Further to Goldstein’s proposition, in July of 2020, Goldstein along with Leo Chamberland (President of World Class Extractions Inc. (hereinafter “WCE”) and Rosy Mondin (CEO of WCE) came to my house and put forward a financing proposal whereby Goldstein was described as the “banker”.

29. At this time, I understood the “banker” reference to be Goldstein’s role as an owner, officer and director of First Republic Capital Corporation, an exempt market investment dealer (“**First Republic**”). At this time, I was not aware of an entity called Cobra or Goldstein’s ownership interest in Cobra.

30. The premise of Goldstein’s proposal was that Goldstein sourced investors and Leo Chamberland would acquire the Aphria Secured Debenture in a newly incorporated company for a purchase price of \$5 million following which the bulk of the Aphria debt would be converted into equity of Hydrx with the Hydrx balance sheet and shareholdings being restructured to reflect the conversion. In effect, the

Aphria Secured Debenture would be eliminated and Hydrx would not need to deal with any other parties in order to move forward with the proposed expansion of the Hydrx business. The details of the July Plan are summarized in the spreadsheet attached hereto as **Exhibit “E”**.

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

- (a) The Aphria Secured Debenture, after being acquired by newly incorporated company, would be converted to equity in Hydrx;
- (b) Goldstein and First Republic would raise \$6.5 million of new equity for Hydrx;
- (c) Canntab Therapeutics Limited (“**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 at least 30% of the capital stock of Hydrx.

(collectively, the “**July Plan**”).

In effect, Hydrx's secured debt (the Aphria Secured Debenture) would be eliminated and Hydrx would be able to grow its business without the excessive burden of the Aphria debt.

The July Plan had the advantage that:

- (a) WCE was a successful operator in the cannabis extraction and manufacturing business and a public company, bringing both financial resources and valuable experience as an "operating partner" to the Hydrx business, including bringing valuable extraction equipment to the Production Facility;
- (b) First Republic as an exempt market securities dealer purportedly had the ability to raise the \$6.5 million of additional capital contemplated in the July Plan;
- (c) Goldstein as a director of Canntab, which is also a public company in the cannabis industry, purportedly had available resources to fulfill its \$3.5 million investment commitment under the July Plan.

32. The July Plan was fundamental to all of my (on behalf of Hydrx) future dealings with Goldstein.

The Cobra Security

33. Unbeknownst to me as an independent director of Hydrx, an agreement to assign the Aphria Secured Debenture from Aphria to Cobra was entered into on or about July 28, 2020 for a purchase price of \$5 million (the “**Aphria Transaction**”). This was done at a time when I was not aware of Cobra, Goldstein’s ownership interest in Cobra, and in the face of Goldstein’s promises of implementing the July Plan.

34. On October 2, 2020, the Aphria Transaction was finalized and a transfer registered on title to the Hydrx Real Property. This was not disclosed to me. A copy of the transfer of charge registered on October 2, 2020 is attached hereto and marked as **Exhibit “F”**.

35. As will be discussed further below, my knowledge of the actual assignment date of July 28, 2020, comes as a result of a reference being made to the same in a demand letter issued by Cobra to Hydrx on December 22, 2020. Contemporaneously with the demand for payment, Cobra also issued notices of intention to enforce its security under the *Bankruptcy and Insolvency Act (Canada)*. At the time demand for payment was made by Cobra, Goldstein was already a director of Hydrx.

Goldstein Becomes a Director of Hydrx

36. On September 6, 2020, all members of the Hydrx board of directors, other than myself, resigned. This mass resignation was precipitated by the refusal of the insurance carrier who provided our D&O insurance to renew coverage after this date. At this time, none of the elements of the July Plan were implemented but Goldstein continued to make assurances that the plan would be implemented in due course.

37. In or about mid-October of 2020, Goldstein requested that he and a representative of WCE (Rosy Mondin) be appointed to the Hydrx board of directors. Despite my growing misgivings about the motivations of Goldstein, having learned earlier in that month about his involvement with Cobra, the request made some business sense as it was aligned with pursuing the objectives of the July Plan.

38. Goldstein and Mondin became directors of Hydrx on October 23, 2020.

39. At the time Goldstein and Mondin became directors, I was aware of Goldstein's interest in Cobra. The October 1, 2020 press release of WCE (discussed in more detail below in the section entitled Press Releases) had been brought to my attention. While I was perturbed that this material fact had not been disclosed earlier on when we had agreed upon the July Plan, I was still being told by Goldstein that he intended to follow through with the implementation of the plan.

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40. In paragraph 30 of his Affidavit sworn on April 23, 2021, Goldstein states that the “only reason” he became a director of Hydrx was due to the mass resignation of directors and the fact that he was security cleared and at that time I was not. This statement conveniently overlooks the fact that other members of the Hydrx executive team were qualified to act as a director – including Thomas Jefferd who ultimately ended up replacing Goldstein as a director.

41. As I am the CEO of a public company that is based in the United States, I chose to suspend my first application for security clearance in early 2017 given my concerns with the stated policy of the previous US government administration on cannabis company executives - a policy that threatened my ability to travel between Canada and the United States. I do not have the same concern with the current US administration and, as such, I resubmitted the requisite paperwork to obtain a security clearance and received my clearance in April of this year.

Goldstein Pledges Hydrx Assets to Secure Rydan Loan

42. Unbeknownst to me at the time, in order to provide working capital for Cobra, it needed to source \$1 million in addition to its cost to close the Aphria

Transaction. To plug this financing gap, Cobra entered into a loan transaction with Rydan for the \$1 million (the “**Rydan Loan Transaction**”).

43. As collateral security for the Rydan loan, Cobra pledged the Aphria Secured Debenture, which in effect pledged the Hydrx Assets. The Rydan Loan Transaction and the pledging of the Hydrx Assets were not disclosed to me, as a director of Hydrx. Needless to say, there was no Hydrx board approval.

44. The parcel register of 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, the same day Goldstein became a director of Hydrx. Attached hereto and marked as **Exhibit “G”** is a copy of the PPSA results dated March 15, 2021.

Goldstein Raises Intention to Commence Hydrx CCAA Proceedings

45. On November 11, 2020, less than a month after becoming a director of Hydrx, Goldstein sent me an 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 Goldstein raised the prospect that Cobra may be contemplating a CCAA proceeding for Hydrx and, in particular, this intention was not disclosed to me at the time of the appointment of

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Goldstein and Mondin to the board of Hydrx. Attached hereto and marked as **Exhibit “H”** is a copy of the email.

46. On or about December 15, 2020, Goldstein verbally informed me that the July Plan may be in jeopardy since he had reached an impasse with WCE on how to proceed.

Goldstein Pledges Hydrx Assets as Security for Windsor Loan

47. Just by way of summary, at this time:

- (a) The Aphria Secured Debenture was owned by Cobra; and
- (b) Cobra was owned 50% by WCE (having invested \$2.5 million) and 50% by First Republic.

48. Sometime during December of 2020, Goldstein had a falling out with WCE and they decided to part ways. The corporate divorce appears to have been finalized in January of 2021 with Goldstein acquiring the 50% interest of WCE in Cobra (the **“Cobra Buyout Transaction”**).

49. Goldstein financed the Cobra Buyout Transaction through a loan he caused Cobra to obtain from Windsor Private Capital (**“Windsor”**). Following the Windsor Loan Transaction (defined below), First Republic, controlled by Goldstein, became the only shareholder of Cobra and, as a consequence, the

predominant indirect owner of the Aphria Secured Debenture. Put differently, *Goldstein became the directing mind of the principal secured creditor of Hydrx.*

50. The terms and conditions of the Windsor loan are, in part, as follows:

- (a) Loan facility of \$4 million funded in one advance;
- (b) 10% ownership stake in Cobra; and
- (c) Security:
 - (i) Assignment by Cobra of the Aphria Secured Debenture by way of collateral security; and
 - (ii) Fully perfected first charge mortgage on the Hydrx Real Property with closing to occur no later than January 15, 2021.

(collectively, the “**Windsor Loan Transaction**”)

51. Goldstein only provided me with a copy of the commitment letter from Windsor to Cobra dated December 29, 2020, *after* the agreement had been reached (the “**Windsor Term Sheet**”). Attached hereto and marked as **Exhibit “I”** is a copy of the Windsor Term Sheet.

52. I do not know with certainty that the Windsor Loan Transaction terms are as set out in the Windsor Term Sheet as I note that in Exhibit P to his Affidavit of April 23, 2021, Goldstein includes a photocopy of an Amendment to Assignment of Debt between Cobra and Windsor dated April 8, 2021, in which Recital A refers

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to a commitment letter dated January 15, 2021. The terms of the commitment letter may vary from the Windsor Term Sheet. When I sought to obtain particulars of the Windsor Loan transaction, Goldstein responded by way of an email on February 21, 2021, saying that:

“the arrangements between Cobra, Windsor and any other of Cobra’s sources of funding is none of your business.”

A copy of this February 21, 2020 email is marked and attached here as **Exhibit “J”**. However, on its face, it appears that Windsor has been provided with a 10% interest in Cobra which may survive the repayment of the \$4 million loan. If this is the case, Goldstein has caused Cobra to grant Windsor the 10% indirect interest in the \$15 million Aphria Secured Debenture in consideration for a short term loan of \$4 million.

Windsor is Not an Innocent Third Party Lender

53. The principals of Windsor and Goldstein have long-standing business relations.

54. Windsor knew, or with the exercise of reasonable diligence, would have known that:

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- (a) Goldstein and Rosy Mondin were directors of Hydrx in January of 2021;
- (b) the Cobra Buyout Transaction constituted a transaction involving a corporate opportunity of Hydrx;
- (c) this corporate opportunity was not disclosed to Hydrx by either Goldstein or Mondin, as required by common law and the CBCA.

55. To my knowledge, Windsor did not request confirmation from Hydrx that it agreed to have the Hydrx Assets pledged as security for the loan to Cobra.

56. Indeed, I would be surprised to learn that Windsor obtained the usual legal opinion from corporate counsel to Hydrx as to the authorization of the Windsor Loan Transaction and the enforceability of this transaction against Hydrx. It is my belief that Windsor was fully aware that, in the circumstances, such an opinion would never have been issued since there are profound questions as to the enforceability of the Windsor Loan Transaction given the failure by Goldstein to comply with his fiduciary obligations to Hydrx.

57. It is wholly inequitable that Windsor be entitled to profit from the breach by Goldstein of his fiduciary obligations to Hydrx. If the terms of the Windsor Loan Transaction grant Windsor a 10% indirect interest in the Aphria Secured

Debenture, this interest should be voided as the same is in direct consequence of a transaction that should not have been consummated.

No Board Approval Sought By Goldstein

58. At the time of the Windsor Loan Transaction, Goldstein was a director of Hydrx. He did not inform me of:

- (a) the Windsor Loan Transaction;
- (b) the Cobra Buyout Transaction; or,
- (c) the Rydan Loan Transaction.

(collectively, the “**Material Transactions**”).

59. Needless to say, no meeting of the board of directors of Hydrx was requested by Goldstein to consider the Material Transactions and neither Hydrx nor its shareholders were afforded an opportunity to comment on, participate in or approve these Material Transactions.

60. In short, these Material Transactions allowed Goldstein to significantly increase his ownership interest in Cobra and thereby the Aphria Secured Debenture at a time when he was a director of Hydrx. As collateral security for these Material

Transactions, Goldstein caused Cobra to pledge the Hydrx Assets without any discussion with, disclosure to or the approval of the Hydrx board or its shareholders.

Goldstein Usurps Opportunity

61. Had there been full and proper disclosure to the Hydrx board, Hydrx and its shareholders would have been provided with an opportunity to participate in the transaction that permitted Goldstein to complete the Aphria Transaction. Specifically, Hydrx, or an affiliated entity, could have participated in the acquisition of the Aphria Secured Debenture and thereafter implemented a version of the July Plan that would have eliminated the Aphria debt by converting this debt into equity in Hydrx and thereby allowing Hydrx to restructure its balance sheet.

62. A term sheet for a sale and leaseback transaction was under discussion around the time of the Windsor Loan Transaction. The term sheet was included as an exhibit to my first affidavit in support of the Initial Order under the CCAA Proceedings and the term sheet is under seal pursuant to the Order of the Honourable Justice Hainey. Simply put, financing was available to permit Hydrx to essentially buyback the Aphria Secured Debenture, convert it into equity and implement the spirit of the July Plan.

63. I am also confident that Hydrx could have quickly raised at least \$2 million of additional financing from shareholders. Indeed, the implementation of

the July Plan already contemplated equity injections from various existing shareholders of Hydrx, including myself, Heinz Prachter, Rob Marzili and Casper Bych. It was also understood that once a business plan had been finalized, an organization document and cash flow forecast prepared, all of the existing shareholders of Hydrx would be given an opportunity to participate in the equity raise.

64. Indeed, I have an undrawn personal line of credit in the amount of \$5 million that was available at the time of the Cobra Buyback Transaction and the Windsor Loan Transaction which I would have utilized for the benefit of Hydrx.

65. If the Material Loan Transaction had been properly disclosed and presented to Hydrx, I fervently believe that Hydrx would now be a stable entity with a restructured balance sheet and shareholding structure free from the Aphria debt burden. Instead, Goldstein usurped that opportunity for his personal benefit and without any consideration being given to the best interests of Hydrx.

66. The Cobra Buyout Transaction, Rydan Loan Transaction and the Windsor Loan Transaction were each designed to solely benefit Goldstein and Cobra at a time when Goldstein had a clear fiduciary duty to Hydrx. These Material Transactions were also undertaken at a time when Goldstein represented to me that he was working in good faith to implement the July Plan.

The Press Releases

67. I have reviewed Goldstein's affidavits in these CCAA proceedings. In response to statements in my affidavits that Goldstein did not make proper disclosure of the transactions to the Hydrx board of directors, he states:

Mr. Serafino's claim that Cobra did not disclose its acquisition of the Aphria Secured Debenture (as defined at paragraph 28 of the Serafino Affidavit) when the assignment agreement was signed on July 28, 2020 until October 2020 is completely incorrect.

*On July 29, 2020, World Class Extractions Inc. (then the 50% owner of Cobra issued a press release (the "**July Press Release**") that confirmed that Cobra had entered into an agreement to acquire the Aphria Secured Debenture...*

The assignment did not close until the beginning of October 2020 at which point the further press release referred to at paragraph 73 of the Serafino Affidavit was issued and the assignment registrations were affected.

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Likewise, Mr. Serafino's allegations that I did not disclose my interest in Cobra during that time is also false. To the contrary, the July Press Release expressly disclosed my interest in Cobra.

68. It is important to note that Goldstein does not say that he disclosed the Aphria Transaction or his ownership interest in Cobra to the Hydrx board of directors. It is only in his third affidavit, sworn April 23, 2021, that Goldstein says:

I personally informed Serafino of the pending transaction [i.e. the Aphria assignment] no later than July 24, 2020.

This is a false statement. I was not informed by Goldstein of the Aphria Transaction.

69. On reading Mr. Goldstein's Affidavit, he appears to rely upon a letter dated July 30, 2020 marked "Urgent" from Har Grover, then CEO of Hydrx, to Mondin (CEO of WCE) which has a "cc The Hydrx Farms Ltd. Board of Directors". I do not know who was actually cc'd with this letter but it certainly did not get sent to me (the "**Grover Letter**"). A copy of the Grover Letter is marked and attached as **Exhibit "K"**.

70. It is important to note that the substance of the Grover Letter is that "Hydrx first learned that the [Aphria] Transaction had been inked at the same time as the general public did, via issuance of the Press Release. Hydrx has no

information in respect of the Transaction... WCE has declined to discuss with Hydrx what WCE's go-forward intentions are in respect of the Debenture". The Grover Letter states that "Hydrx is not a party to the Transaction and both WCE and Aphria have, to date, declined to apprise Hydrx management and the Hydrx Board of Directors of the terms of the Transaction."

71. I do not know what discussion may have occurred between Har Grover or other members of the management team and WCE but I was certainly not apprised of this transaction and no meeting of the Board was called to consider the same.

Goldstein Says that Cobra's Financial Arrangements are Irrelevant

72. Goldstein goes on to say in his affidavit that Cobra's financial arrangements are "irrelevant" to Hydrx even though he admits that:

In the end, as noted, all that Cobra has done is grant its (ie. Cobra's) lenders a security interest in its assets, including its security over Hydrx, all of which is completely appropriate."

73. Goldstein's statement in his affidavit before this Honourable Court is indicative of his attitude and approach to these Material Transactions and his

disregard for his fiduciary duties as director of Hydrx: Goldstein gets to do what he wants, when he wants, and everyone and everything else is “irrelevant”.

74. Goldstein’s position appears to be that the July 29, 2020 and the October 1, 2020 press releases by WCE (as then co-owner of Cobra) provide proper and complete disclosure to the Hydrx board as these press releases include a reference to the assignment of the Aphria Secured Debenture to Cobra and Goldstein’s ownership interest in Cobra.

75. To be clear, the July Press Release was not brought to my attention until after the commencement of the CCAA proceedings.

76. Indeed, by their very nature, press releases are after the fact events. Press releases issued by a third party respecting transactions not discussed or approved by Hydrx’s board and that were not formally brought to the attention of the Hydrx board, or entered in the minutes of a board meeting after approval, do not constitute sufficient disclosure of anything.

Cobra Makes Demand for Payment from Hydrx

77. On January 27, 2021, three months after becoming a director of Hydrx, Goldstein directed Cobra to make demand on Hydrx for repayment of the alleged debt owing to it under the Aphria Secured Debenture.

78. On 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 "L"** is a copy of the email.

79. Over the course of the next several weeks, I engaged in a protracted back and forth with Goldstein and various of his surrogates, including Hamish Sutherland and Barry Polisuk, in an attempt to structure a transaction that would salvage Hydrx and still give Goldstein enough return on his investment to embrace a going forward plan that would allow Hydrx avoid an insolvency process.

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80. Various proposals were discussed but it always felt that I was chasing Goldstein to respond or offer alternatives when my suggestions were rejected.

81. Ultimately, it became clear that Goldstein was not truly serious about concluding a collaborative arrangement in the spirit of the July Plan.

82. By early March of 2021, I had exhausted any hope of arriving at a reasonable collaborative arrangement. As a consequence, I attempted to negotiate a solution that would result in Cobra being paid for its actual dollars incurred to purchase the Aphria Secured Debenture, plus a premium and to also provide rent free use of the Production Facility for one year with discounted rent thereafter. These efforts were rejected by Goldstein who responded by saying that he had conversed with “several of the Cobra shareholders and we are going to pass on this offer”.

83. It was clear that Goldstein was determined to take the Hydrx Assets and its business for himself.

Goldstein Acknowledges His Conflict of Interest

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

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

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

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

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

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

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

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

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

Goldstein Tries to Transfer Hydrx License to Cobra

85. On January 21, 2021, Hemans (a Cobra contractor) and former designated Responsible Person for Hydrx, wrote to Health Canada in which he asks:

“Cobra has proposed a transfer of the secured assets of Hydrx as settlement of its secured loans to Cobra through a Court-approved sale process....”

*“we kindly request that Health Canada **provide us with guidance on how the current license of Hydrx can be transferred to Cobra Ventures** (preferred option as this would help avoid further business disruptions) or an indication of how long a new license application would take to process given that the facility and operations (key positions, SOPs, GPPs, etc.) would remain predominantly the same as what has already been approved by Health Canada....”. [Emphasis added]*

A copy of the email is attached hereto as **Exhibit “N”**.

86. At all times, it appears that Goldstein was not acting in good faith and honestly toward a solution that would benefit Hydrx, despite his claims to me to the contrary and despite his role as a director of Hydrx.

87. I continued to press Goldstein for evidence that he was taking steps to implement the July Plan. On February 21, 2021, as a follow up to Goldstein’s email to me which I reference in paragraph 64 above, Hamish Sutherland (Goldstein’s key cannabis consultant), sent an email to Goldstein, and, included me as a cc (I suspect inadvertently), which reads, in part, as follows:

“He [Dom] has a number of days to ponder his next steps ... And, if Dom gets in the way, throw it all at him”

The February 21, 2021 is attached hereto as **Exhibit “O”**.

Goldstein Attempts to Jeopardize Hydrx’s Excise Tax License

88. While a director of Hydrx, Goldstein attempted to jeopardize the Hydrx Excise Tax License.

89. In order for Hydrx to be able to sell cannabis products, it must maintain an Excise Tax License. That license was set to expire on April 17, 2021 and the deadline to submit a renewal application was March 16, 2021. I am informed by Roula Sotirakos, the then compliance consultant for Cobra, and do believe, that Goldstein instructed her not file the requisite renewal application.

90. Fortunately, I became aware of Goldstein’s intentions and was able to file the requisite renewal application, arrange for payment of the overdue fees in the amount of approximately \$28,000 and thereby maintain the license for the benefit of Hydrx. Had Hydrx lost this license, it would not now be in a position to operate – which appears to have been Goldstein’s intention, as evidenced by his opposition to restarting business operations at the March 30th motion.

CCAA Proceedings

91. At the time of the commencement of the CCAA proceedings, Goldstein and I were the only directors of Hydrx. As a result of Goldstein’s position of

conflict between his fiduciary obligations as a director of Hydrx and his role as CEO and majority owner of Cobra, it was necessary for me to bring the CCAA proceedings as an “interested person” due to a deadlocked board of directors.

92. The CCAA application was brought on an urgent and without notice basis. Having become aware of Goldstein’s efforts to transfer the Hydrx cannabis licenses to Cobra and his intentional refusal to renew the excise tax license, I was concerned that any delay in obtaining protection for Hydrx may result in the loss of the cannabis licenses which would make it impossible for Hydrx to effect a successful restructuring of its financial affairs on any basis.

93. As a director of Hydrx, Goldstein swore affidavits on behalf of Cobra within the CCAA proceedings, including an affidavit opposing the restart of Hydrx’s business operations and support for a motion seeking a declaration of the indebtedness owing by Hydrx to Cobra and Cobra’s entitlement to credit bid in the Court-approved SISF. Each of Goldstein’s affidavits has been for the purpose of protecting Cobra’s, and only Cobra’s, interest and position.

94. At a time when Goldstein was still a director of Hydrx, he stated in his affidavit, in part, as follows:

I am willing to voluntarily resign as a director of Hydrx, as well as resign from my position of alternate RPIC for Hydrx. That is however subject to

*two conditions which are not for my personal benefit, but for the benefit and protection of HydRx **and Cobra** as the secured creditor of HydRx. (Emphasis Added)*

95. In my view, there can be no clearer statement or evidence of Goldstein's divided loyalty. And yet, he still refused to resign and it took a special meeting of the shareholders of HydRx to remove him as a director.

Goldstein's Position on Indebtedness Owing to Cobra

96. I note that Goldstein states in his affidavit that the quantum of Cobra's secured indebtedness as at March 31, 2021, is \$14,837,014.04, comprised of the following:

Outstanding principal	\$11,500,000
Accrued interest	\$2,532,014
Legal Fees	\$192,797.66
HydRx Expenses	\$612,202.38

97. I am not in a position to verify the accuracy of these figures but I do understand that it was WCE and not Cobra that advanced the bulk, if not all, of the above-referenced "HydRx Expenses".

Shareholders' Meeting

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98. On April 28, 2021, a Special Meeting of Shareholders was held and Goldstein was removed as a director of Hydrx by approximately 83% of voting shareholders. As a face saving exercise, Goldstein subsequently tendered his resignation on April 30, 2021, in escrow pending issuance of the Order appointing the CRO and approving the SISP.

Credit Bidding

99. Unlike Goldstein, it is my intention to restructure Hydrx through a plan of arrangement. This will be possible if the court accepts my position that the entitlement of Cobra/Goldstein should be limited to a maximum of actual dollars expended to acquire the Aphria Secured Debenture and any additional advances proven to have been made by Cobra to Hydrx.

100. If, for whatever reason, the SISP is considered necessary, I am firmly of the view that Cobra should not be permitted to credit bid any of the indebtedness which is determined to be owing to it.

101. Goldstein has made it abundantly clear that it is his intention to take the Hydrx Assets and its business for his own and he intends to acquire the same for the \$5 million purchase price Cobra paid under the Aphria Transaction. Should

Goldstein be permitted to credit bid any or all of the indebtedness found owing to Cobra, such a result will only serve to reward the breach of his fiduciary duties as a director of Hydrx and encourage others to follow suit in order to gain a competitive advantage.

102. It is my fervent hope that the Court will exercise its discretion and refuse Cobra the ability to credit bid any indebtedness that may be found as owing to it should a SISP process occur.

Conclusion

103. Given Goldstein's breaches and high-handed conduct, I am asking this Honourable Court that, at a minimum, Goldstein/Cobra should not receive any profit from its acquisition of the Aphria Secured Debenture. Instead, the recovery should be, at its highest, limited to the amount of actual dollars expended to acquire the Aphria Secured Debenture and any additional advances proven to have been made by Cobra to Hydrx. More properly, I believe it to be equitable and thoroughly justified for the court to set aside the Aphria Secured Debenture in its entirety or

reduce Goldstein's indirect right to recover thereunder to an amount materially less than the \$5 million acquisition cost to Cobra.

104. It was material for Hydrx to know that its assets were being pledged by Cobra/Goldstein. In the event that there was a default by Cobra, the lenders would then be in a position to enforce on their security, i.e. the Hydrx Assets. Despite Goldstein's position that this is "irrelevant", it is not only relevant but material for Hydrx to know and be given an opportunity to approve these Material Transactions. At all materials times, Goldstein has put his interest and the interest of Cobra ahead of the interests of Hydrx.

105. Goldstein had a choice. He did not have to be a director of Hydrx. However, from the moment he chose to become a director, he agreed to assume the higher fiduciary duties of disclosure and accountability that occasion the directorship of a corporation. He has breached his duty of loyalty to Hydrx by failing to make all decisions solely in the best interests of Hydrx. His self-interest and divided loyalty is abundantly clear in his actions to date and neither he nor Cobra should be permitted to profit from such flagrant breaches of the fiduciary duties that Goldstein freely chose to accept when he became a director.

106. This Affidavit is administered in accordance with O. Reg. 431/20:

Administering Oath or Declaration Remotely:

Location of Commissioner administering the Affidavit: Vaughan, 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 20th day of)
May, 2021)

DocuSigned by:
Sepideh Nassabi
9A5A673DA59F432...

DocuSigned by:
Domenico Serafino
FE97100D6F50476...

DOMENICO SERAFINO

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

This is **Exhibit "A"** referred to

in the Affidavit of

Domenico Serafino

Sworn this 20th

day of May, 2021

DocuSigned by:

Sepideh Nassabi

9A5A673DA58E432

.....
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

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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

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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.

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- (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

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

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

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

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

Suppliers

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

EXCISE TAX

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

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

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

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

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

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

Banking Arrangements and Cash Management

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

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

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

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

Litigation

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

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(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:

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

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

a) Assets

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

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

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

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

b) Liabilities

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

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

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

Secured Debt

Aphria Secured Debenture

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

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

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

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

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

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

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

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

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

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

Enter Goldstein & Cobra

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

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

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

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

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

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

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

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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;

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- (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;

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- (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;

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- (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

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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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Secured Debt

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

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- (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

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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

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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

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

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

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

122. The revenue generated is from a combination of:

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

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

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

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

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

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

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

URGENT NEED FOR RELIEF

a) Stay of Proceedings

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

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

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

b) Proposed Monitor

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

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

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

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

Cash Flow Projections

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

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

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

SERVICE AND NOTICE

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

CONCLUSION

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

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

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

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

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

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

(c) Extend the Stay of Proceedings.

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

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

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

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

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

A Commissioner, etc.

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

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

DOMENICO SERAFINO

This is **Exhibit "B"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 20th
day of May, 2021.

DocuSigned by:

Sepideh Nassabi

.....
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 -

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;

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- (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 29th day of)
March, 2021)

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

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

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

This is **Exhibit "C"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 20th
day of May, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432

.....
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 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.

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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 Haaney 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 Haaney 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.

Cryo-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.

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

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 26th 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 "D"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 20th
day of May, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432.....

A Commissioner for Taking Affidavits

LRO # 40 **Charge/Mortgage**

Registered as DR1626830 on 2017 08 15 at 11:11

124

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

yyyy mm dd Page 1 of 26

Properties

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

Chargor(s)

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

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

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

Chargee(s)*Capacity**Share*

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

Statements

Schedule: THIS CHARGE IS A DEBENTURE

Provisions

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

Additional Provisions

See Schedules

Signed By

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

Tel 416-869-5500

Fax 416-947-0866

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

Submitted By

STIKEMAN ELLIOTT

199 Bay Street, Suite 5300

2017 08 15

LRO # 40 **Charge/Mortgage**

Registered as DR1626830 on 2017 08 15 at 11:11

125

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

yyyy mm dd Page 2 of 26

Submitted By

Toronto
M5L 1B9

Tel 416-869-5500

Fax 416-947-0866

Fees/Taxes/Payment

Statutory Registration Fee \$63.35

Total Paid \$63.35

File Number

Chargee Client File Number : 1365461009

This is **Exhibit "E"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 20th
day of May, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A6Z3DA59E432

.....
A Commissioner for Taking Affidavits

Blue figures are variables

Current Debenture at face value

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

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

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

This is **Exhibit "F"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 20th
day of May, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA69E432

.....
A Commissioner for Taking Affidavits

LRO # 40 **Transfer Of Charge**

Registered as DR1932365 on 2020 10 02 at 10:19

129

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

yyyy mm dd Page 1 of 2

Properties

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

Source Instruments

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

Transferor(s)

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

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

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

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

Transferee(s)**Capacity****Share**

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

Statements

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

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

Signed By

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

Tel 416-869-5300

Fax 416-360-8877

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

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

Tel 416-869-5300

Fax 416-360-8877

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

Submitted By

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

Tel 416-869-5300

Fax 416-360-8877

Fees/Taxes/Payment

Statutory Registration Fee	\$65.05
Total Paid	\$65.05

LRO # 40 **Transfer Of Charge**

Registered as DR1932365 on 2020 10 02 at 10:19

130

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

yyyy mm dd Page 2 of 2

File Number

Transferee Client File Number : 53464-5

This is **Exhibit "G"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 20th
day of May, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432
A Commissioner for Taking Affidavits

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

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

REPORT : PSSR060
PAGE : 1
(2543)

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

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

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

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

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

CONTINUED... 2

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



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

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

REPORT : PSSR060
 PAGE : 2
 (2544)

133
 TYPE OF SEARCH : BUSINESS DEBTOR
 SEARCH CONDUCTED ON : HYDRX FARMS LTD.
 FILE CURRENCY : 14MAR 2021

FORM 10 FINANCING STATEMENT / CLAIM FOR LIEN

00
 FILE NUMBER
 767544453

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

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

FIRST GIVEN NAME
 INITIAL
 SURNAME

ONTARIO CORPORATION NO.
 ON 6K9

03 ADDRESS
 1130 CHAMPLAIN COURT
 WHITBY

04 DEBTOR NAME
 BUSINESS NAME
 ADDRESS

ONTARIO CORPORATION NO.

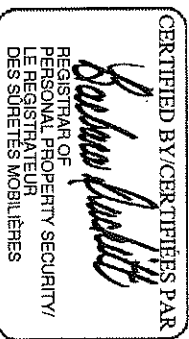
05 SECURED PARTY / LIEN CLAIMANT
 ADDRESS
 411 CRANBROOKE AVENUE
 TORONTO

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

07 MOTOR VEHICLE
 YEAR MAKE MODEL VIN
 11 12 13 14 15 16 17

11 REGISTERING AGENT
 ADDRESS
 SUITE 2100, 40 KING STREET WEST
 TORONTO ON M5H 3C2
 CASSELLS BROCK & BLACKWELL LLP (55002-2/AS)

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



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

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

REPORT : PSSR060
 PAGE : 3
 (2545)

134

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

FORM IC FINANCING STATEMENT / CLAIM FOR LIES

FILE NUMBER
 735108012

CAUTION FILING NO.	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
01	1	1	20171220	1324 2550 7568	P PPSA	04

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

FIRST GIVEN NAME
 INITIAL
 SURNAME

WHITBY

ONTARIO CORPORATION NO.
 ON L1N 6K9

03 DEBTOR NAME
 DATE OF BIRTH
 BUSINESS NAME
 1130 CHAMPLAIN COURT

FIRST GIVEN NAME
 INITIAL
 SURNAME

ONTARIO CORPORATION NO.

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

ETOBICOKE

ON M9W 5A5

05 COLLATERAL CLASSIFICATION
 CONSUMER GOODS

INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED
 MOTOR VEHICLE AMOUNT DATE OF MATURITY OR MATURITY DATE
 X 5000

06 MOTOR VEHICLE
 YEAR MAKE MODEL VIN

CMA EST 44 DISHWASHER SERIAL NO 210001

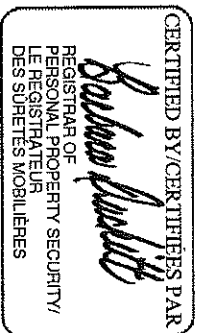
07 GENERAL COLLATERAL DESCRIPTION

08 REGISTERING AGENT
 ADDRESS

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

CONTINUED...

4



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

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

REPORT : PSSR060
PAGE : 4
(2546)

135

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

FORM IC FINANCING STATEMENT / CLAIM FOR LEND

FILE NUMBER
734023998

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

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME
HYDRX FARMS LTD.

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

04 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME
WHITBY

05 DEBTOR BUSINESS NAME ADDRESS
ONTARIO CORPORATION NO.

06 NAME BUSINESS NAME ADDRESS
ONTARIO CORPORATION NO.

07 DEBTOR BUSINESS NAME ADDRESS
ONTARIO CORPORATION NO.

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

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

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

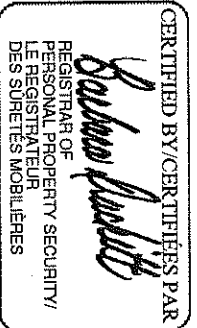
11 MOTOR VEHICLE YEAR MAKE MODEL VIN

12 GENERAL COLLATERAL DESCRIPTION

13 REGISTERING AGENT ADDRESS 4126 NORLAND AVENUE BURBARY BC V5G 3S8

14 CANADIAN SECURITIES REGISTRATION SYSTEMS

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



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

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

REPORT : PSSR060
 PAGE : 5
 (2547)

136

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

FORM 1C FINANCING STATEMENT / CLAIM FOR LIES

00
 FILE NUMBER
 730845657

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

02 DEBTOR NAME: HYDRX FARMS LTD.
 DATE OF BIRTH: [REDACTED]
 BUSINESS NAME: HYDRX FARMS LTD.
 ADDRESS: 209 DUNDAS STREET EAST, P.O. BOX 31
 INITIAL: [REDACTED] SURNAME: [REDACTED]
 ONTARIO CORPORATION NO.: [REDACTED] ON L1N 5R7

05 DEBTOR NAME: [REDACTED]
 BUSINESS NAME: [REDACTED]
 ADDRESS: [REDACTED]
 ONTARIO CORPORATION NO.: [REDACTED]

08 SECURED PARTY: APHRIA INC.
 GREEN CLAIMANT: [REDACTED]
 ADDRESS: 265 PALBOT STREET WEST
 LEAMINGTON ON N8H 4H3

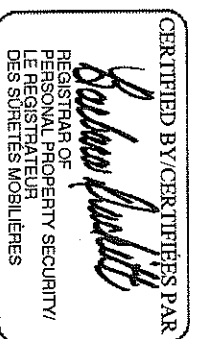
CONTAINER CLASSIFICATION	CONSUMER GOODS	INVENTORY EQUIPMENT	ACCOUNTS OTHER	MOTOR VEHICLE INCLUDED	AMOUNT	DATE OF MATURITY OR MAJORITY DATE	NO. FIXED
X	X	X	X	X			

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

13 GENERAL COLLATERAL DESCRIPTION: GENERAL SECURITY AGREEMENT

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

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



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

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

REPORT : PSSR060
PAGE : 7
(2549)

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

FORM 26 FINANCING CHANGE STATEMENT / CHANGE STATEMENT

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

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

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

OTHER CHANGE :
REASON/ DESCRIPTION :
DATE OF BIRTH : FIRST GIVEN NAME : INITIAL : SURNAME :
DEBTOR/ TRANSFEREE : BUSINESS NAME :
ADDRESS :
04/07

ONTARIO CORPORATION NO. :

29 ASSIGNOR : APHRIA INC.

08 SECURED PARTY/LEEN CLAIMANT/ASSIGNEE : COBRA VENTURES INC.

09 COLLATERAL CLASSIFICATION : ADDRESS : C/O CASSELS BROCK & BLACKWELL LLP TORONTO

10 CONSUMER INVENTORY EQUIPMENT ACCOUNTS OTHER ENCLOSED AMOUNT : DATE OF NO. FIXED MATURETY DATE
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER ENCLOSED AMOUNT : DATE OF NO. FIXED MATURETY DATE

11 MOTOR YEAR MAKE MODEL Y-T-N

12 VEHICLE GENERAL

13 COLLATERAL DESCRIPTION

14 REGISTERING AGENT OR ADDRESS : CASSELS BROCK & BLACKWELL LLP (416) 53464-5 TORONTO

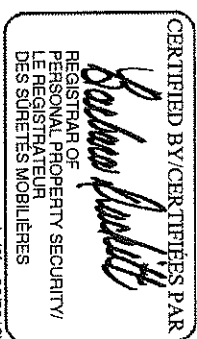
15 SECURED PARTY/LEEN CLAIMANT : ADDRESS : SUITE 2100, 40 KING STREET WEST TORONTO

16

17

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

CONTINUED... 8



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

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

REPORT : PSSR060
PAGE : 8
(2550)

139

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

KORN 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

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

RECORD REFERENCED FILE NUMBER 730845657

PAGE AMENDED NO SPECIFIC PAGE AMENDED CHANGE REQUIRED RENEWAL PERIOD CORRECT PERIOD

22 REFERENCE DRETOR/ TRANSFEROR BUSINESS NAME FIRST GIVEN NAME INITIAL SURNAME

23 OTHER CHANGE REASON/ DESCRIPTION

24 DATE OF BIRTH BUSINESS NAME ADDRESS

25 FIRST GIVEN NAME INITIAL SURNAME

26 ONTARIO CORPORATION NO.

27 ASSIGNOR SECURED PARTY/LEEN CLAIMANT/ASSIGNEE

28 ADDRESS SUITE 2100, SCOTIA PLAZA

29 COLLATERAL CLASSIFICATION ADDRESS

30 CONSIDERED INVENTORY EQUIPMENT ACCOUNTS OTHER ENCLAMDED AMOUNT DATE OF MATURITY OR MATURITY DATE

31 MOTOR YEAR MAKE MODEL V-I-N-

32 MOTOR VEHICLE

33 GENERAL COLLATERAL

34 DESCRIPTION

35 SECURED PARTY/ LEEN CLAIMANT ADDRESS

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

CONTINUED...

CERTIFIED BY/CERTIFIES PAR
REGISTRAR OF PERSONAL PROPERTY SECURITY/
LE REGISTRATEUR DES SURETES MOBILIERES
Robynne Phillips
(3/21/2019)



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

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

REPORT : PSSR060
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(2551)

140
TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : HYDRX FARMS LTD.
FILE CURRENCY : 14MAR 2021

FORM 26 FINANCING CHANGE STATEMENT / CHANGE STATEMENT

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

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

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

25 OTHER CHANGE
26 REASON/
27 DESCRIPTION
28

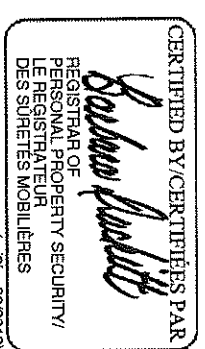
02/ DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME
05 DEBTOR/
03/ BUSINESS NAME
06 TRANSFEREE ADDRESS ONTARIO CORPORATION NO.
04/07

29 ASSIGNOR
08 SECURED PARTY/LENN CLAMMANT/ASSIGNEE
09 ADDRESS 40 KING STREET WEST

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

10 YEAR MAKE MODEL V.I.N.
11 MOTOR
12 VEHICLE
13 GENERAL
14 COLLATERAL
15 DESCRIPTION
16 REGISTRATION AGENT OR
17 SECURED PARTY/ ADDRESS
LENN CLAMMANT

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



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

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

REPORT : PSSR060
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(2552)

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

FORM 2G FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CHARGEON PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED
FILING NO. OF PAGES SCHEDULE NUMBER UNDER
001 1 20201022 1113 1590 4326

RECORD FILE NUMBER 730845657
PAGE AMENDED NO. SPECTIC PAGE AMENDED CHANGE REQUIRED
CORRECT PERIOD

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

OTHER CHANGE TO ADD AN ADDITIONAL SECURED PARTY.
REASON/ DESCRIPTION

DEBTOR/ TRANSFEREE DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME
BUSINESS NAME ADDRESS
04/07

ONTARIO CORPORATION NO.

ASSIGNOR SECURED PARTY/LEEN CLAIMANT/ASSIGNEE RYDAN FINANCIAL INC.
ADDRESS 26 IMPERIAL STREET TORONTO ON M5P 1C2

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

MOTOR VEHICLE YEAR MAKE MODEL Y-I-N-
COBRA VENTURES INC.'S SECURITY AGAINST HYDRX FARMS LTD. HAS BEEN
ASSIGNED TO RYDAN FINANCIAL INC. AS SECURITY FOR A LOAN MADE PURSUANT
TO A COMMITMENT LETTER DATED OCTOBER 8, 2020
REGISTERING AGENT OR BARRY POLISUK TORONTO ON M3C 3B5
SECURED PARTY/ LIVEN CLAIMANT ADDRESS 150 FERRAND DRIVE, SUITE 800 TORONTO

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

CERTIFIED BY/CERTIFIES PAR
REGISTRAR OF
PERSONAL PROPERTY SECURITY/
LE REGISTRATEUR
DES SURETES MOBILIERES
Barbara Proulx

(c72d 06/2019)



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

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

REPORT : PSSR060
PAGE : 11
(2553)

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

FORM 20 FINANCING CHANGE STATEMENT / CHANGE STATEMENT

GARRETT PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED
KELING NO. OF PAGES SCHEDULE NUMBER DUIDR
001 1 20210118 1523 1590 1703

01 RECORD FILE NUMBER 730845657

22 PAGE AMENDED NO. SPECIFIC PAGE AMENDED CHANGE REQUIRED RENTAL CORRECT
REFERENCED PAGE AMENDED NO. SPECIFIC PAGE AMENDED D ASSIGNMENT YEARS PERIOD

23 EXPERIENCE BUSINESS NAME FIRST GIVEN NAME INITIAL SURNAME

24 DEBTOR/ TRANSFEROR BUSINESS NAME HYDRX FARMS LTD.

25 OTHER CHANGE
26 REASON/
27 DESCRIPTION

02/ DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03/ TRANSFEREE BUSINESS NAME ADDRESS

04/07 ADDRESS ONTARIO CORPORATION NO.:

29 ASSIGNOR RYDAN FINANCIAL INC.

08 SECURED PARTY/ LIEN CLAIMANT/ ASSIGNEE COBRA VENTURES INC. TORONTO ON M5H 3C2

09 ADDRESS 40 KING STREET, SUITE 2100 TORONTO ON M5H 3C2

COLLATERAL CLASSIFICATION CONSIDER INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED AMOUNT MAINTENANCE OR WAIVER DATE

10 YEAR MAKE MODEL Y-I-N-

11 MOTOR VEHICLE

12 GENERAL

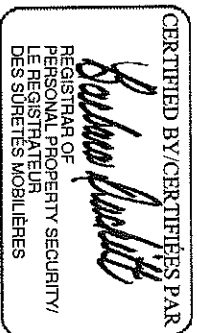
13 COLLATERAL

14 DESCRIPTION

15 REGISTRATION AGENT OR ADDRESS BARRY POLISUK TORONTO ON M3C 3E5

16 SECURED PARTY/ LIEN CLAIMANT ADDRESS 150 FERRAND DRIVE, SUITE 800 TORONTO ON M3C 3E5

17 *** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***
CONTINUED... 12



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

PROVINCE OF ONTARIO
 MINISTRY OF GOVERNMENT SERVICES
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 ENQUIRY RESPONSE
 CERTIFICATE

REPORT : PSSR060
 PAGE : 12
 (2554)

143
 TYPE OF SEARCH : BUSINESS DEBTOR
 SEARCH CONDUCTED ON : HYDRX FARMS LTD.
 FILE CURRENCY : 14MAR 2021

FORM IC FINANCING STATEMENT / CLAIM FOR FEE

FILE NUMBER
 720521199

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

DATE OF BIRTH

FIRST GIVEN NAME

INITIAL

SURNAME

02 DEBTOR NAME

BUSINESS NAME
 HYDRX FARMS LTD

ADDRESS
 1130 CHAMPLAIN CRT

WHITEBY

ONTARIO CORPORATION NO.
 ON L1N 6K9

05 DEBTOR NAME

DATE OF BIRTH
 21FEB1978

BUSINESS NAME
 THOMAS

INITIAL
 A

SURNAME
 JEFFERD

ONTARIO CORPORATION NO.

ON L1B 1M7

08 SECURED PARTY / LIEN CLAIMANT

ADDRESS
 2680 MATHESON BLVD. E, STE 500

MERCEDES-BENZ FINANCIAL SERVICES CANADA CORPORATION
 MISSISSAUGA

ON L4W 0A5

10 COLLATERAL CLASSIFICATION
 CONSUMER INVENTORY EQUIPMENT ACCOUNTS OTHER MOTOR VEHICLE AMOUNT DATE OF MATURITY OR NO. FIXED
 X X X 56918 03SEP2021 MATURITY DATE

11 MOTOR VEHICLE

YEAR MAKE
 2016 MERCEDES-BENZ

MODEL
 2C1704

V.I.N.
 WDBB88DDXGP278017

13 GENERAL COLLATERAL DESCRIPTION

16 REGISTERING AGENT

ADDRESS
 SUITE 200, 4126 NORLAND AVENUE

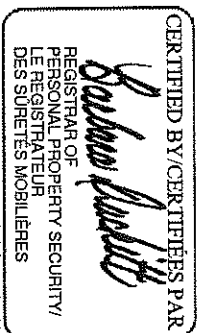
D+H LIMITED PARTNERSHIP

BURNABY

BC V5G 3S8

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

CONTINUED... 13



(c/fm 06/2019)

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

PROVINCE OF ONTARIO
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(2555)

144
TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : HYDRX FARMS LTD.
FILE CURRENCY : 14MAR 2021

FORM 1G FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER
720521199

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

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 NAME BUSINESS NAME ADDRESS BUSINESS NAME ADDRESS

04 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

05 DEBTOR BUSINESS NAME ADDRESS BUSINESS NAME ADDRESS

06 DEBTOR BUSINESS NAME ADDRESS BUSINESS NAME ADDRESS

07 DEBTOR BUSINESS NAME ADDRESS BUSINESS NAME ADDRESS

08 SECURED PARTY / MERCEDES-BENZ FINANCIAL
LIEN CLAIMANT ADDRESS 2680 MATHESON BLVD. E, STE 500 MISSISSAUGA ON L4W 0A5

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

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

11 MOTOR YEAR MAKE MODEL V-L-N

12 MOTOR YEAR MAKE MODEL V-L-N

13 GENERAL COLLATERAL DESCRIPTION

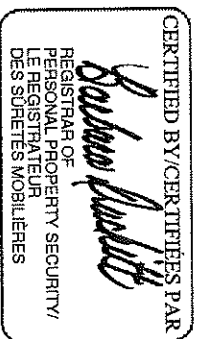
14 REGISTERING ADDRESS

16 REGISTERING ADDRESS

17 REGISTERING ADDRESS

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

CONTINUED...



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

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

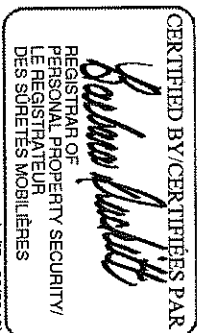
REPORT : PSSR060
PAGE : 14
(2556)

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

INFORMATION RELATING TO THE REGISTRATIONS LISTED BELOW IS ATTACHED HERETO.

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

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



(c/fis 06/2019)



This is **Exhibit "H"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 20th
day of May, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432.....

A Commissioner for Taking Affidavits

djamm@bell.net

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

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

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

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

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

Thanks,
Rich

Get [Outlook for Android](#)

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

Hello All,

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

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

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

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

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

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

This is **Exhibit "I"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 20th
day of May, 2021.

DocuSigned by:

Sepideh Nassabi

.....9A5A679DA59E432.....
A Commissioner for Taking Affidavits



December 29, 2020

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

Attention: Richard Goldstein, Vice President

Re: Financing Proposal

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

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

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

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

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

Governing Law

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

Absence of Enforceable Agreement

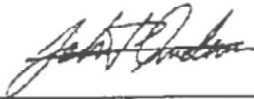
Except for the terms and provisions of this section and the sections headed Confidentiality, Placement Fee, Exclusivity and Expense Reimbursement, this document is not an enforceable agreement between us, but is merely a statement of intent which sets forth the general basis upon which we intend to proceed.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

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

Yours truly,

Windsor Private Capital Limited Partnership
by its general partner Windsor Private Capital Inc.

Per:



Name: John P. Cundari
Title: President

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

COBRA VENTURES INC.



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

This is **Exhibit "J"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 20th
day of May, 2021.

DocuSigned by:

Sepideh Nassabi

.....9A5A673DA59E432.....
A Commissioner for Taking Affidavits

On Feb 21, 2021, at 12:36 PM, Richard Goldstein <richard@firstrepubliccapital.com> wrote:

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

Hello Dom,

Thanks for your email prompting me. We are not ignoring you but working through the various options available to Cobra and HyDRx.

Let me start by saying that the arrangement between Cobra, Windsor, and any other of Cobra's sources of funding is none of your business. The area you really ought to

focus on is the accumulating debt of the company for which you are a fiduciary by virtue of your being a Director. As to your directly contacting Windsor to probe into our commercial arrangements, I am sure you do not want us poking around City National Bank of Florida to speak about the likelihood of a company for which you are a director being insolvent. Your action is unethical, as appreciated by the professionals at Windsor, and my partners.

We understand that you have been awaiting a detailed business plan for opportunities for Cobra/HydRx as a condition for participating in the future of the business. We continue to work out the details of that plan, while at the same time, acting as the only source of funding that is keeping the lights and heat on, and the building and inventory properly secured. Perhaps you aren't aware that on Friday, both HVAC units for the common areas of the building failed and may not be re-commissioned without new burners. Shall HydRx send you the invoice and if not, who do you suggest pay the cost?

If I may summarize the current situation as my legal team sees it, the shareholders of HydRx have essentially lost their entire investment – including me, as a private investor in earlier rounds. The same applies to all of the creditors and employees. There is essentially no bargaining position for any unsecured creditor including the lawsuits and the Termination fees. Our recent conversations were based on the investors of Cobra finding the right balance between recognizing their risk when it acquired the debt. Any opportunity discussed had been offered on a purely gratuitous basis in the spirit of getting something to the existing shareholders while obviously preserving the licences and the tax losses. The existing shareholders of HydRx may have claims against the company and the prior Directors and Officers, perhaps under the previous D&O insurance, but that is outside the obligations of HydRx to the debt note held by Cobra.

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

I find myself increasingly aware of the potential conflicts of interest and am discussing with my lawyers and Health Canada the prospect of resigning as soon as practical, likely within the next 14 days, to take effect within 30 days. This is material as it leaves you as the sole Director, and more importantly, unqualified to act in that role because you don't have the necessary Health Canada approved security clearance. If I resign, you would be the sole Director with all the accompanying liabilities and obligations. As well you are a legacy Director having served in that capacity for all prior capital raises and corporate activity. I will also point out on the litigation front that I have been a Director for only a short period of time and the litigation issues to which you have referred to stem from the period prior to my joining the Board.

As a Director of HydRx, you most certainly also know that there are substantial debts and obligations coming forward in the next months, while at the same time, our QA has formally resigned, leaving our processing license vulnerable to cancellation, in the absence of a new QAP, and the attendant salary. Of course, there are many other ongoing obligations: inventory software, CRA excise payments, security, and of course, the broken heating system.

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

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

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

Regards,

Rich

This is **Exhibit "K"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 20th
day of May, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432.....

A Commissioner for Taking Affidavits

HYDRX FARMS LTD. O/A SCIENTUS PHARMA

1130 Champlain Court
Whitby, Ontario, Canada L1N 6K9

****URGENT****

July 30, 2020

Via email rosy@worldclassextractions.com

Ms. Rosy Mondin

Chief Executive Officer

World Class Extractions Inc.

Suite 308, 9080 University Crescent

Burnaby, BC V5A 0B7

Dear Ms. Mondin:

Re: *WCE Acquisition of HydrRx Debenture from Aphria*

We make reference to the press release (the "Press Release") issued by World Class Extractions Inc. ("WCE") yesterday, July 29, 2020, announcing its indirect acquisition (the "Transaction") of the HydrRx Farms Ltd. ("HydrRx") debenture (the "Debenture") originally issued to Aphria Inc. ("Aphria"). We look forward to the next stage of discussions with you in this regard.

HydrRx is not a party to the Transaction and both WCE and Aphria have, to date declined to apprise HydrRx management and the HydrRx Board of Directors of the terms of the Transaction. HydrRx first learned that the Transaction had been inked at the same time as the general public did, via issuance of the Press Release. HydrRx has no information in respect of the Transaction beyond what is disclosed in the Press Release; and, thus far, WCE has declined to discuss with HydrRx what WCE's go-forward intentions are in respect of the Debenture.

Obviously, those go-forward intentions are of material and urgent interest to HydrRx and its stakeholders. We have discussed with you previously that HydrRx requires an immediate infusion of working capital in order to continue to operate and avoid a further erosion of the HydrRx value proposition.

As such, we respectfully request your immediate advice as to WCE's intentions here and when you propose to reach out, if at all, to HydrRx management and its Board of Directors.

In light of the Transaction and the public announcement thereof via the Press Release, the previously announced merger of HydrRx and RISE Life Science Corp. ("RLSC") seems no longer tenable (we have been advised by RLSC that its outreach to WCE has not received any meaningful response); as such, neither

RLSC, nor its investment banker, Canaccord Genuity Group Inc., are likely to provide Hydrx with the requisite bridge financing. There are no expectations that any other third party will be prepared to make such an investment in the context of the Press Release.

On the assumption that the Transaction constitutes an investment by WCE in the property, assets, and undertaking of Hydrx as a going concern, Hydrx must look to WCE to make immediate arrangements for the Hydrx working capital requirements.

In order to assist you with your analyses in that respect, over the next 60 days (the Transaction closing period posited by the Press Release) Hydrx will require working capital aggregating approximately \$600,000 CAD. These expenditures include the recall of key employees from temporary lay-off, amounts required to maintain the extant product supply chain, intellectual property maintenance fees, and expenses required to maintain the Hydrx cannabis licenses in the wake of a Health Canada audit completed just yesterday. Beyond the 60 day budget, there will be additional material amounts required to see the company through to the close of a transaction with WCE. Please advise on your intended process and timelines to close on this second transaction, and we can present a budget appropriately.

Again, time is of the essence here in order to avoid further compromise of the Hydrx valuation and prospects. Please respond to us as soon as practicable.

Yours truly,

HYDRX FARMS LTD. O/A SCIENTUS PHARMA

Per:



Har Grover,
Chief Executive Officer

c.c. The Hydrx Farms Ltd. Board of Directors

This is **Exhibit "L"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 20th
day of May, 2021.

DocuSigned by:

Sepideh Nassabi

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.....
A Commissioner for Taking Affidavits

djamm@bell.net

From: Richard Goldstein <richard@firstrepubliccapital.com>
Sent: Friday, January 29, 2021 6:46 PM
To: djamm@bell.net
Subject: RE: Private and Confidential

Hi Dom:

I respect you and your business acumen. I want us to work together if possible.

We have already spoken to Health Canada and it is clear that Hydrx can't transfer its Licenses. The only way not to lose the Licenses is a Plan of Arrangement which we all believe is untenable. Even the CCAA RVO process to preserve the licenses for a buyer would have flushed all creditors. The shareholders wouldn't have seen a penny in that scenario as well which we were pursuing in the WCE days.

As well, how would the Company fund the cost and time to maintain the facility while all these efforts take place? How long and at what cost? I am the only one that is cutting cheques and I am not prepared to continue doing that without a realistic positive outcome. Putting more money is just throwing more of my limited capital down the drain. It costs well more to sell the \$4,000 of monthly patient orders. There is no other revenue and the Inventory other than the resin (which is only ok, subject to 3rd party analysis) is crap. We are advised by Cannamerx (a B to B LP marketplace) that the dry flower which is old and of poor quality is very difficult to move even at \$0.20 per gram.

As you know, since I have gotten involved we have been looking at every possible way to salvage Hydrx in its existing form and business. We expended significant cost working with advisors to review those options and none are realistic or practical given the company's position. At the end of the day, I do not see how there is value beyond Cobra's \$14mm of debt and I am not prepared to continue to fund losses to no end. At this point, there is simply risk and uncertainty in continuing without any realistic prospect of recovery and we need to wind up the existing business which is no longer viable in its current form and monetize the assets and business going forward.

I too am very open to discussing a workable solution for everyone. I just don't see it. Perhaps over the weekend we can discuss at your convenience.

Not sure what IP you are referencing other than the microwave technology? Not sure what that is worth in any scenario?

Thanks
Rich

From: djamm@bell.net <djamm@bell.net>
Sent: January 28, 2021 3:03 PM
To: Richard Goldstein <richard@firstrepubliccapital.com>; 'Richard Goldstein' <richard@canntab.ca>
Subject: Private and Confidential

Hey Rich,

I am sure you are quite busy at the moment but I wanted to take a moment and share some thoughts with you. None of my thoughts are meant in any way to be confrontational but I do take my role as a director quite seriously and am always looking to at least share a perspective from a different lens. That said, I still believe that outright bankrupting the

This is **Exhibit "M"** referred to
in the Affidavit of
Domenico Serafino
Sworn this 20th
day of May, 2021.

DocuSigned by:

Sepideh Nassabi

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.....
A Commissioner for Taking Affidavits

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

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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?

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

Regards,

Rich

This is **Exhibit “N”** referred to
in the Affidavit of
Domenico Serafino
Sworn this 20th
day of May, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432.....

A Commissioner for Taking Affidavits

From: Phil A. Hemans <phemans@scientuspharma.com>

Sent: 2021-01-21 3:37 PM

To: Stewart2, Jennifer (HC/SC) <jennifer.stewart2@canada.ca>; Cannabis Licensing / Licences cannabis (HC/SC) <HC.licensing-cannabis-licences.SC@canada.ca>

Cc: Richard Goldstein <richard@firstrepubliccapital.com>

Subject: RE: Hydrx Farms Ltd. - LIC-WQZAS68WY2-2020-3

Dear Colleagues,

HydRx Farms Ltd. (“Hydrx”) has been undergoing significant financial pressures and has been working cooperatively with its secured creditor, Cobra Ventures Inc. (“Cobra”), to identify and implement a viable solution for the continued operation of the business. As you may recall, we spoke (Stewart/Hemans) in September after the initial transaction between Aphria and Cobra. In this regard, I attach two press releases pertaining to Hydrx and Cobra for your information and records. Cobra Ventures Inc. is a closely held corporation whose majority and controlling shareholder is Richard Goldstein ([CTLS account: O3PORORMR1, Security clearance: SEC-I197U21NDT-2018](#)) who is also the Alternate Responsible Person for Hydrx and sits on its Board of Directors. Cobra has proposed a transfer of the secured assets of Hydrx as settlement of its secured loans to Cobra through a court-approved sale process. Cobra Ventures Inc. would then provide ongoing funding to support continuing operations and a path forward to profitability.

We kindly request that Health Canada provide us with guidance on how the current license of Hydrx can be transferred to Cobra Ventures (preferred option as this would help avoid further business disruptions), or an indication of how long a new license application would take to process given that the facility and operations (Key positions, SOPs, GPPs, etc.) would remain predominantly the same as what has been already approved by Health Canada. We note that Hydrx recently completed its Health Canada Inspection and was recently granted a renewal of its license to September 22, 2023. Since time is of the essence, I would like to arrange a phone call as soon as possible to discuss this proposal and answer any questions you may have.

Best regards,

Phil

Phillip Hemans CPA, CA
Executive Vice President & COO
Direct +1 416 414. 8114
Main +1 844 493.7922

Please note: This e-mail, contents and any files transmitted herewith are privileged, confidential, may be proprietary, subject to copyright and intended solely for the use of the individual or entity to whom this e-mail is addressed to. Any unauthorized use, copying, review or disclosure is strictly prohibited. Please notify phehans@scientuspharma.com immediately if you have received this communication in error. Thank you for your assistance and cooperation.

This is **Exhibit "O"** referred to

in the Affidavit of

Domenico Serafino

Sworn this 20th

day of May, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432

.....
A Commissioner for Taking Affidavits

From: Hamish Sutherland <hamish.sutherland@gmail.com>
Sent: Sunday, February 21, 2021 1:28 PM
Cc: Richard Goldstein <richard@firstrepubliccapital.com>; Dom Serafino <djamm@bell.net>; Barry Polisuk <BP@friedmans.ca>
Subject: Re: Moving forward

Quick, pithy.

At the most childish level, he is pissed that Dad cut up the credit card.

He has a number of days to ponder his next steps.

In the meantime, let's go through the shareholder list and identify and start a convo with key shareholders who may want to recover.

Also, I think that a warning shot across the bow of Tory's is in order. They are not legally permitted to keep the minute books as ransom, and we need detailed info on shareholders and how to communicate with them. Add in the debtor-in-possession - when that happens, paper the debt.

And, if Dom gets in the way, throw it all at him.

Does Royal or someone have the accounts? Who is the Master on the account ... If an employee, those have to be turned over to Director(s) so the company doesn't have to re-invent the accounts and bookkeeping.

Keys ... and make sure the pipes don't freeze.

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
Email: rslattery@mindengross.com

Sepideh Nasabi (LSO# 60139B)
Tel: 416-369-4323
Email: snassabi@mindengross.com

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 LEO CHAMBERLAND
(SWORN MAY 20, 2021)**

I, **LEO CHAMBERLAND**, of the City of Vancouver, in the Province of British
Columbia, MAKE OATH AND SAY:

1. I am the President of World-Class Extractions Inc. ("**WCE**").
2. My colleague Rosy Mondin is a director and Chief Executive Officer of
WCE and from October 23, 2020 to January of 2021, she served as a director of
Hydrx Farms Ltd. ("**Hydrx**") together with Richard Goldstein ("**Goldstein**") and
Dom Serafino ("**Serafino**").
3. Goldstein is an indirect shareholder of WCE.

4. In or about June 2020, Goldstein informed me of the opportunity to acquire the indebtedness owing by Hydrx to Aphria and the security held in support of this indebtedness at a significant discount to its face value (the “**Aphria Debenture**”). It is my understanding from Goldstein that he was informed of this opportunity by his friend and neighbor Philip Hemens who was, at that time, a senior officer of Hydrx.

5. WCE is a public offering company and is in the business, *inter alia*, of developing and deploying technologies for precision extraction of cannabinoids.

6. Hydrx was of interest to WCE because Hydrx has a number of assets that could be synergistically deployed with WCE assets. In particular Hydrx has large-scale Class 1 Division 2 compliant space for the extraction of cannabinoids and all licenses required under the *Cannabis Act* (Canada) permitting such activities.

7. WCE became interested in the opportunity to acquire the Aphria Debenture as means of pursuing the synergistic exploitation of WCE’s business and the Hydrx assets.

8. Mondin and I developed a plan to pursue this opportunity. Goldstein agreed with our plan.

9. In July of 2020, Goldstein, Mondin and I presented that plan to Serafino who attended the meeting as an independent member of the Hydrx board of directors.

10. The essential elements of this plan, referred to in the Serafino affidavit as the “**July Plan**” may be summarized as follows:

- (a) A company equally owned by WCE and Goldstein sourced investors (which would ultimately be Cobra Ventures Inc. (“**Cobra**”)) would acquire the Aphria Debenture for approximately \$5 million;
- (b) Goldstein, through his company First Republic Capital Corporation (an Exempt Market Dealer registered with the Ontario Securities Commission) would raise equity capital (approximately \$6 million) to invest in common share equity in Hydrx to be used as operating capital;
- (c) The Aphria Debenture would be converted into common share equity in Hydrx;

- (d) The current shareholders of Hydrx would continue to own a significant shareholding interest in Hydrx (at a minimum 30%).
- 11. The July Plan had two compelling commercial advantages, namely:
 - (a) It encouraged cooperation of the independent director (Serafino) and the shareholders of Hydrx as the shareholders of Hydrx would be assured of a significant continuing shareholding interest in Hydrx; and
 - (b) All of the licenses of Hydrx under the *Cannabis Act* would be preserved which could not likely be accomplished in a Hydrx bankruptcy proceeding.
- 12. It was not our intention, in July 2020, or at any time thereafter, to exercise creditor remedies under the Aphria Debenture with a view to profiting from the sale of Hydrx assets secured by the Aphria Debenture. It was on this fundamental basis that WCE and the Goldstein interests caused Cobra to acquire the Aphria Debenture for \$5 million.
- 13. Cobra fully acquired the Aphria Debenture on or about October 2, 2020.

14. Goldstein and Mondin requested to become directors and were appointed directors of Hydrx on or about October 23, 2020. The principal objective of Goldstein and Mondin becoming directors of Hydrx, as explained to Serafino, was to better pursue the objectives of the July Plan.

15. Mondin and I are aware of the obligations under the CBCA and the Hydrx corporate Bylaws to disclose conflicts that directors may have arising from direct or indirect contractual relations with a company if those directors intend to profit from that contractual relationship. Mondin and I felt no obligation for Mondin to make that required disclosure to Hydrx because, at no time did WCE ever intend to profit from its ownership interest in the Aphria Debenture at the expense of Hydrx, its shareholders or other stakeholders. In October, 2020 and up until December 14, 2020, we assumed that Goldstein shared this view. At no time prior to becoming a director of Hydrx, did Goldstein ever suggest to us that he intended to profit from his ownership interest in the Aphria Debenture at the expense of Hydrx, its shareholders or other stakeholders.

16. During November and December of 2020, WCE and Goldstein were unable to agree on implementation of the July Plan. In fact, Goldstein began to table the possibility of pursuing creditor remedies against Hydrx (primarily bankruptcy) under the Aphria Debenture. He also wanted to file a Notice of

Cessation of Operations with Health Canada and apply for a “secondary site license” for Canntab Therapeutics Limited, a *Cannabis Act* License Holder, which was co-founded by Goldstein and for which he acts as CFO.

17. This led to an impasse which eventually resulted in WCE selling its 50% interest in Cobra to Goldstein in January of 2021 and Mondin’s resignation from the Hydrx board.

18. During the period October of 2020 through to January of 2021, WCE advanced approximately \$350,000 to Hydrx to cover payments that were necessary to maintain regulatory compliance and to “keep the lights on”. Details of these advances have been provided to the court-appointed Monitor in the CCAA proceedings. To date, WCE has not received payment of these amounts from any of Cobra, Goldstein or Hydrx.

19. I make this Affidavit in furtherance of the Court ordered Cobra claims process and for no other improper purpose.

This Affidavit is administered in accordance with O. Reg. 431/20:
Administering Oath or Declaration Remotely: Location of Commissioner
administering the Affidavit: Vaughan, ON, Canada

Location of Affiant of the Affidavit at the time of administration: Vancouver,
BC, Canada

SWORN BEFORE ME in the)
City of Vaughan, in the Province)
of Ontario, this 20th day of)
May, 2021)

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

A Commissioner, etc.

DocuSigned by:)
Leo Chamberland)
D15ADB1B9F1B48D...)

LEO CHAMBERLAND

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
LEO CHAMBERLAND**

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Lawyers for the Applicants

TAB 3

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 ROULA J. SOTIRAKOS
(SWORN MAY 21, 2021)**

I, **ROULA J. SOTIRAKOS**, of the City of Toronto, in the Province of Ontario,
MAKE OATH AND SAY:

1. I am a licenced paralegal who specializes in conducting corporate due diligence on behalf of companies, with an emphasis on companies that operate in the cannabis industry. I also provide such companies with advice on regulatory compliance matters and corporate governance.
2. Between July and September of 2020, World-Class Extractions Inc. (“WCE”) had tasked me with the responsibility of handling due diligence for the eventual acquisition by Cobra Ventures Inc. (“Cobra”) of a secured debenture

between Hydrx Farms Ltd. (“**Hydrx**”), as borrower, and Aphria Ltd., as secured creditor (the “**Aphria Secured Debenture**”).

3. After the acquisition by Cobra of the Aphria Secured Debenture, between October 1, 2020 and March 5, 2021, I was a contracted consultant for Cobra and charged with the responsibility, among other things, of providing guidance on regulatory compliance matters respecting Hydrx and assisting in the general operations of the company, and, as such, I have personal knowledge of the matters deposed to herein.

4. In essence, my mandate for Cobra was to identify and take steps to eliminate any risks to the compliant status of Hydrx under cannabis legislation and, more generally, identify and address any risks to the Hydrx assets and business operations.

5. I reported directly to Richard Goldstein (“**Goldstein**”), the President and majority owner of Cobra and Leo Chamberland, the President of WCE. To ensure that I could fulfil my mandate, all staff reported directly to me, including Thomas Jefferd (the Head of Security), Carol-Ann Scott (Quality Assurance), Alex Massis (former Director of Finance), Philip Hemans (Responsible Person and former COO) and Melanie Pringle (Order Fulfillment/Customer Service).

(a) Cannabis Excise Tax Licence

6. In or about January 16, 2021, Hydrx received a notice from Canada Revenue Agency (“**CRA**”) advising of arrears owing under the *Cannabis Excise Tax* program in the approximate amount of \$28,000 (the “**Tax Arrears**”). Attached hereto and marked as **Exhibit “A”** is a copy of the notice.

7. In a subsequent letter dated January 20, 2021, the CRA reminded Hydrx that its Excise Tax license (the “**Excise License**”) would expire on April 16, 2021, unless Hydrx completed the required renewal application and submitted the same by March 16, 2021. Attached hereto and marked as **Exhibit “B”** is a copy of this letter.

8. The Excise License is required in order to permit the sale of cannabis products.

9. I was extremely concerned that Hydrx would lose its ability to sell cannabis products as a result of the lapse of the Excise License.

10. I brought both the Tax Arrears and the imminent deadline for the Excise License renewal to the attention of Goldstein both verbally and in writing. In fact, I reminded him on several occasions, to the point where I suspect that I was irritating him.

11. It was very disconcerting to me when, in late February of 2021, I was directed by Goldstein to ignore both the Tax Arrears and the Excise License renewal. He had initially advised me that he would take care of the Tax Arrears. However, in following up with the account manager at CRA it became evident that this had not been done. Goldstein's responses to my follow-up enquiries were not answers to my questions but were more in the nature of deferrals and deflections. I got the distinct impression that he simply did not care.

12. Given the seriousness of the consequences of not renewing the Excise License, I pressed Goldstein for an explanation. I sent several emails in order to document my follow ups. In late February, 2021, I was informed by Goldstein that my mandate, which had been that of ensuring that the assets and licenses of Hydrx were not impaired, no longer aligned with his objectives. He made it clear that he was not interested in my efforts to safeguard the operating licenses of Hydrx. He did not give an explanation as to why this was the case and it left me very perplexed.

(b) The Hydrx Website

13. Although Hydrx did not conduct production operations during my tenure, it did continue to sell medicinal cannabis to its available roster of several hundred

patients from the existing inventory. I understand that the bulk of these sales were processed through the Hydrx website.

14. Hydrx used its website as both a marketing device and as an onboarding vehicle and interface portal for its patients. The website was essential to ensuring patients were serviced. The medical cannabis was a Hydrx branded product called “Medisenol”.

15. In January of 2021, I was informed by Phouse Productions, the contractor responsible for maintaining the Hydrx website that going forward, it would no longer be able to provide this service.” After much back and forth, I negotiated an extension until the end of March 2021.

16. To avoid a continued dependence upon third party vendors, I engaged the services of a web platform developer to re-design the Hydrx website with “word press”. Word press is a commercial service that allows a customer to develop a website and to maintain full control over the same. Goldstein and Eric Malinski (“**Malinski**”), his marketing director at Canntab Therapeutics Limited (“**Canntab**”), recommended the web developer to me as it was the same person that Canntab used and they were hoping for a good price based on this pre-existing relationship.

17. In late February of 2021, Goldstein instructed me to stop working on the website development project. Understanding how critical the project was to serving

the cannabis needs of Hydrx's patients, I reminded Goldstein that the current vendor was no longer going to be able to support the website and it would soon become non-functional.

18. I was very concerned that the website would go dark with little or no notice and without an adequate replacement being in place. I brought these concerns to Goldstein both verbally and in writing stressing the importance of the website.

19. After several follow-up attempts, Goldstein and Malinski contacted me in late February of 2021 saying that Hydrx no longer needed to have an operational website as Goldstein intended to remove Medisenol as a brand of Hydrx and discontinue sales of medicinal cannabis.

20. I did not understand why Goldstein wanted to stop the only source of sales during the shutdown period. I pressed him for a copy of the business plan so that I could better understand the new strategy and adjust my approach accordingly. I was initially told that I would receive it shortly but despite several follow-up requests over the next couple of weeks I never did receive a copy of the business plan.

21. My engagement with Cobra was terminated shortly after this time as I was precluded from continuing the mandate I had been hired to fulfill. Given the deteriorating nature of my interactions with Goldstein and his complete lack of

transparency on why he was making the decisions he was making for Hydrx, this result was expected.

22. I make this Affidavit in furtherance of the Court ordered Cobra claims process and for no other improper purpose.

This Affidavit is administered in accordance with O. Reg. 431/20: Administering Oath or Declaration Remotely: Location of Commissioner administering the Affidavit: Vaughan, ON, Canada
Location of Affiant of the Affidavit at the time of administration: Toronto, Ontario, Canada

SWORN BEFORE ME in the)
City of Vaughan, in the Province)
of Ontario, this 21st day of)
May, 2021)

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

A Commissioner, etc.
Sepideh Nassabi (LSO #60139B)

DocuSigned by:)
Roula J. Sotirakos)
B0B47A9C6646456...)

ROULA J. SOTIRAKOS

This is **Exhibit "A"** referred to
in the Affidavit of
Roula J. Sotirakos
Sworn this 21st
day of May, 2021.

DocuSigned by:

Sepideh Nassabi

9A5A673DA59E432

.....
A Commissioner for Taking Affidavits



Canada Revenue Agency

Agence du revenu du Canada

Sudbury ON P3A 5C1

000000267

Hydrx Farms Ltd.
1130 CHAMPLAIN CRT
WHITBY ON L1N 6K9

Notice details

Account number	80910 4573 RD0002
Program	Cannabis Excise Duty
Date issued	Jan 16, 2021

Notice of collection

Our records show that you still have an amount owing.

The amount you need to pay is **\$27,263.42**.

To avoid more interest charges and possible legal action against you, please pay now.

Thank you,

Bob Hamilton
Commissioner of Revenue

Account balance

You have an amount due. If you paid the full amount more than 15 days ago, please call us at 1-866-299-1050.

Amount due: \$27,263.42

Payment options

You can pay:

- online
- at your financial institution

For more information, go to page 3.

This is **Exhibit "B"** referred to
in the Affidavit of
Roula J. Sotirakos
Sworn this 21st
day of May, 2021.

DocuSigned by:

Sepideh Nassabi

0A5A673DA59E432

.....
A Commissioner for Taking Affidavits



Canada Revenue Agency

Agence du revenu du Canada

SUMMERSIDE PE C1N 5Z7

0000003

000000003

Date	Jan 20, 2021
Account number	80910 4573 RD0002
Reference number	OL210182101051

Hydrx Farms Ltd.
1130 CHAMPLAIN CRT
WHITBY ON L1N 6K9

Subject: Renewing your cannabis licence

Dear licensee:

Your cannabis licence, number 80910 4573 RD0002, will expire on **April 16, 2021**.

To apply to renew your licence, fill out Form L300, Cannabis Licence Application under the Excise Act, 2001. You may also need to fill out Form L300SCHA Schedule A, Other Business Location(s), and L300SCHB Schedule B, Information Relating to Individuals, Partners, Directors, Officers and Shareholders, if they apply.

Please send your completed forms to your regional office before **March 17, 2021**. To find the address, go to canada.ca/en/revenue-agency/services/forms-publications/publications/contacts.

To qualify for renewal, you must show that you still meet all eligibility requirements in the Regulations Respecting Excise Licences and Registrations. Once we have your application, we will contact you if we need more documents or to confirm your information. After we review your application, we will write to you to let your know our decision.

If you have already taken steps to renew your licence, please disregard this letter.

If you have questions about renewing your licence, please contact your regional office.

You can find more information at canada.ca/cannabis-excise.

Sincerely,

Bob Hamilton
Commissioner of Revenue

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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.

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SUPERIOR COURT OF JUSTICE
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**AFFIDAVIT OF
ROULA J. SOTIRAKOS**

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snassabi@mindengross.com

Lawyers for the Applicants

TAB 4

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

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



INITIAL ORDER

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

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

SERVICE AND DEFINITIONS

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

APPLICATION

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

POSSESSION OF PROPERTY AND OPERATIONS

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

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

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

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

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

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

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

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

NO PROCEEDINGS AGAINST HYDRX OR THE PROPERTY

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

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

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

NO EXERCISE OF RIGHTS OR REMEDIES

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

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

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

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

NON-DEROGATION OF RIGHTS

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

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

APPOINTMENT OF MONITOR

19. THIS COURT ORDERS that Schwartz Levitsky Feldman 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

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.



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

INITIAL ORDER

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

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Lawyers for the Applicant

TAB 5

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.)	WEDNESDAY, THE 31 ST
)	
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

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.



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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

AMENDED AND RESTATED INITIAL ORDER

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Lawyers for the Applicant

TAB 6

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.)	FRIDAY, THE
)	
JUSTICE HAINEY)	30 th 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 ARRANGMENT OF HYDRX FARMS LTD.,
CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA INC.**

(the "Applicant")

ORDER

(CRO APPOINTMENT AND SISP APPROVAL)

THIS MOTION, made by the Schwartz Levitsky Feldman Inc. in its capacity as Court-appointed monitor (the "**Monitor**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), for an order, *inter alia*, appointing a Chief Restructuring Officer ("**CRO**") of Hydrx Farms Ltd. ("**Hydrx**"), Cannscience Innovations Inc. ("**CII**") and Scientus Pharma Inc. ("**SPI**") and together with Hydrx and CII, the "**Debtors**"), and approving the SISP (as defined below) and certain related relief, was heard this day by Zoom videoconference at Toronto, Ontario.

ON READING the Monitor's Motion Record (the "**Motion Record**"), including the Monitor's Notice of Motion dated April 26, 2021 (the "**Notice of Motion**"), and the Monitor's second report dated April 26, 2021 (the "**Second Report**"), filed, and on hearing the submissions of counsel for the Applicant, counsel for the Monitor, and counsel for Cobra Ventures Inc., and such other counsel as were present, no one else

appearing although duly served as appears from the affidavit of service of Michelle Jackson, sworn April 26, 2021;

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated, and hereby dispenses with any further service thereof so that this motion is properly returnable today;

2. **THIS COURT ORDERS** that capitalized terms used in this Order and not otherwise defined herein shall have the meanings ascribed to them under the Sale and Investment Solicitation Process attached hereto as Schedule "A" (the "**SISP**") or the initial order, as subsequently amended and restated (the "**Initial Order**"), as applicable.

APPOINTMENT OF CRO

3. **THIS COURT ORDERS AND DIRECTS** Hydrx to execute the engagement letter appended hereto as Schedule "B" (the "**CRO Engagement Letter**"), and that Macpherson & Associates Inc. is hereby appointed as the chief restructuring officer of the Debtors (the "**CRO**") on the following terms:

- (a) subject to review by and any further order of this court, the CRO shall have the powers and obligations set out in the CRO Engagement Letter, to the exclusion of all others, which, for greater certainty, the CRO shall exercise in its discretion, without interference from Hydrx's board of directors;
- (b) the CRO shall be entitled to payment from the Debtors in accordance with the terms of the CRO Engagement Letter, for obligations owing thereunder and the expenses and disbursements contemplated therein (the "**CRO Fees**");

- (c) the CRO shall be responsible for performing its functions and obligations as set out in the CRO Engagement Letter for the benefit of the Debtors and shall provide timely updates to the Monitor in respect of such functions and obligation;
- (d) neither the CRO nor Jim Macpherson shall be nor be deemed to be a director, de facto director, or employee of any of the Debtors;
- (e) nothing in this Order shall be construed as resulting in the CRO or Jim Macpherson being an employer, successor employer, a responsible person, operator or person with apparent authority within the meaning of any statute, regulation or rule of law, or equity (including any Environmental Legislation) for any purpose whatsoever;
- (f) the CRO shall not, as a result of the performance of their respective obligations and duties in accordance with the terms of the CRO Engagement Letter, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation; provided however, if the CRO is nevertheless later found to be in Possession of any Property, then the CRO shall be entitled to the benefits and protections in relation to the Debtors and such Property as are provided to a monitor under Section 11.8(3) of the CCAA; provided further however, that nothing in this subparagraph 32(f) shall exempt the CRO from any duty to report or make disclosure imposed by a law and incorporated by reference in Section 11.8(4) of the CCAA;

- (g) no action or other proceeding shall be commenced directly, or by way of counterclaim, third party claim or otherwise, against or in respect of the CRO or Jim Macpherson, and all rights and remedies of any Person against or in respect of them are hereby stayed and suspended, except with the written consent of the CRO or with leave of this court on notice to the Monitor and the CRO, provided, however, that nothing in this order shall affect such investigations, actions, suits or proceedings by a regulatory body that are permitted by Section 11.1 of the CCAA;
- (h) the CRO Fees shall not be compromised pursuant to any plan of arrangement, any proposal under the *Bankruptcy and Insolvency Act* of Canada (the "**BIA**"), or any other restructuring and no such plan, proposal, restructuring or sale transaction shall be approved that does not provide for the payment in full of all amounts due to the CRO pursuant to the terms of the CRO Engagement Letter; and
- (i) the CRO, in respect of its monthly fees and expense reimbursement, shall be entitled to the benefit of and is hereby granted the Administration Charge as security for the CRO Fees.

4. **THIS COURT ORDERS** that, save and except for gross negligence or willful misconduct, neither the CRO nor Jim Macpherson, nor their respective employees and representatives acting in such capacities, shall incur any liability or obligation as a result of the appointment of CRO or the carrying out by it of the provisions of this Order or the CRO Engagement Letter.

APPROVAL OF THE SISP

5. **THIS COURT ORDERS** that the SISP (subject to any amendments thereto that may be made in accordance therewith and with this Order) be and is hereby approved and the Monitor, together with the CRO, are authorized and directed to carry out the SISP in accordance with its terms and this Order, and are hereby authorized and directed to take such steps as they consider necessary or desirable in carrying out each of their obligations thereunder, subject to prior approval of this Court being obtained before completion of any transaction(s) under the SISP.

6. **THIS COURT ORDERS** that the Monitor, the CRO, and their respective assistants, affiliates, partners, directors, employees, advisors, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liability of any nature or kind to any person in connection with or as a result of performing their duties under the SISP, except to the extent of such losses, claims, damages or liabilities arising or resulting from the gross negligence or wilful misconduct of the Monitor or CRO, as applicable, as determined by this court.

7. **THIS COURT ORDERS** that notwithstanding anything contained herein or in the SISP, the Monitor and the CRO shall not take possession of the Property or be deemed to take possession of the Property.

8. **THIS COURT ORDERS** that the Monitor may apply to this court for directions with respect to the SISP at any time.

INCREASE IN ADMINISTRATION CHARGE

9. **THIS COURT ORDERS** that the Administration Charge at paragraph 26 of the Amended and Restated Initial Order dated March 31, 2021, is hereby increased from \$250,000 to \$400,000.

CLAIMS PROCESS FOR COBRA CLAIM

10. **THIS COURT ORDERS** the process to be followed to determine the amount of the debt, if any, owing to Cobra Ventures Inc. ("**Cobra**") by HydRx (the "**Cobra Claim**"),

together with any issues impacting the ability to credit-bid the Cobra Claim as part of the SISP, including, without limitation, all issues pertaining to the validity, enforceability, and perfection of any security in respect the Cobra Claim, resulting in a final determination as expeditiously as possible and by no later than June 30, 2021 (the “**Cobra Claims Process**”), shall be determined by this court at a case conference to be held on Monday, May 10, 2021.

11. **THIS COURT ORDERS** that the Monitor shall, forthwith, send a copy of this order, by email, to everyone who has served a Notice of Appearance in these proceedings, and any person interested in and wishing to participate in the Cobra Claims Process shall give notice of their interest, together with a brief statement of their position in respect of the Cobra Claim, the basis for that position and the proposed process to be followed, to the Service List in these proceedings, and file the same with the court by no later than 1:00 p.m. on Friday, May 7, 2021, and anyone failing to provide such notice in accordance with the terms of this order shall be barred from participating in the Cobra Claims Process.

12. **THIS COURT ORDERS** that the Monitor shall provide a copy of the ultimate decision in respect of the issues raised in the Cobra Claims Process (the “**Cobra Claim Decision**”), to each Phase 1 Qualified Bidder, and advise them of the precise date of the Phase 1 Qualified Bid Deadline.

13. **THIS COURT ORDERS** that the costs of the Applicant, including the costs of the Applicant’s counsel, associated with the Cobra Claims Process shall be paid in the first instance by the Applicant, and that the issue of the Applicant’s entitlement to indemnification or reimbursement for such costs from the Debtors and the applicability of the Administrative Charge thereto is reserved and shall be determined by this court following the final determination of the Cobra Claim Decision.

PIPEDA

14. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Debtors, the CRO and the Monitor, and their respective advisors and representatives are hereby authorized and

permitted to disclose and transfer to each Phase 1 Qualified Bidder personal information of identifiable individuals but only to the extent desirable or required to negotiate or attempt to complete a transaction pursuant to the SISP (a "**Transaction**"). Each Phase 1 Qualified Bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation for the purpose of effecting a Transaction, and if it does not complete a Transaction, shall return all such information to the Monitor, or in the alternative destroy all such information and provide confirmation of its destruction if requested by the Monitor. The Successful Bidder(s) shall maintain and protect the privacy of such information and, upon closing of the Transaction(s) contemplated in the Successful Bid(s), shall be entitled to use the personal information provided to it that is related to the Companies and/or Property acquired pursuant to the SISP in a manner that is in all material respects identical to the prior use of such information by the Companies, and shall return all other personal information to the Monitor or ensure that all other personal information is destroyed and provide confirmation of its destruction if requested by the Monitor.

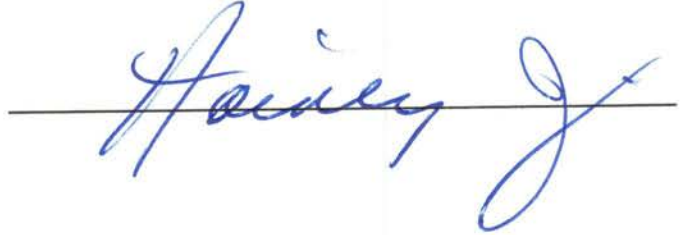
GENERAL

15. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, United States, or elsewhere to give effect to this Order and to assist the Monitor and its 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 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 Monitor and its agents in carrying out the terms of this Order.

16. **THIS COURT ORDERS** that 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.

17. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. on the date of this Order.

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
 PROCEEDINGS COMMENCED
 IN TORONTO

ORDER
(CRO APPOINTMENT AND SISP)

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Lawyers for the Monitor, Schwartz Levitsky Feldman Inc.

TAB 7

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.

)

FRIDAY, THE 30th

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 MOTION 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**"), the second report of the monitor, Schwartz Levitsky Feldman Inc. (the "**Monitor**") dated April 26, 2021 (the "**Report**"), the affidavit of Richard Goldstein sworn April 23, 2021 and the Exhibits thereto, 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 27, 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 July 30, 2021.

REPLACEMENT OF RESPONSIBLE PERSON

4. THIS COURT ORDERS that given the resignation of Phillip Hemans on April 26, 2021, Thomas Jefferd hereby replaces Phillip Hemans as the designated Responsible Person for Hydrx and Health Canada is hereby directed to amend its records with effect as at April 26, 2021 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.

A handwritten signature in blue ink, appearing to read "Harvey J.", is written over a horizontal line. The signature is cursive and includes a period 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., CANNOSCIENCE INNOVATIONS INC. AND SCIENTIUS 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)

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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

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

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